



Corporation Tax Act 2010

2010 CHAPTER 4

PART 12

REAL ESTATE INVESTMENT TRUSTS

CHAPTER 11

PART 12: SUPPLEMENTARY

Miscellaneous

599 Calculation of profits

- (1) This section is about the calculation of profits for the purposes of any provision of this Part which provides that profits are to be calculated in accordance with this section.
- (2) Profits are to be calculated in the same way as profits of a UK property business are calculated for the purposes of the charge to tax under Chapter 3 of Part 4 of CTA 2009 (as to which see, in particular, section 210 of that Act).
- (3) Section 211(1) of CTA 2009 (property businesses: disregard of credits and debits from loan relationships and derivative contracts) does not apply in respect of—
 - (a) a loan relationship so far as it relates to property rental business,
 - (b) a hedging derivative contract so far as it relates to property rental business, or
 - (c) embedded derivatives so far as the host contract is entered into for the purposes of property rental business.
- (4) For the purposes of subsection (3)—
 - (a) a derivative contract is hedging in relation to a company so far as—
 - (i) it is acquired as a hedge of risk in relation to an asset by the exploitation of which property rental business is conducted, or
 - (ii) it is acquired as a hedge of risk in relation to a liability incurred in connection with property rental business,

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- (b) a designation of a contract as wholly or partly hedging for the purposes of a company's accounts is conclusive,
 - (c) “embedded derivatives” is to be read in accordance with section 584 or 586 (as the case may be) of CTA 2009, and
 - (d) “the host contract” means—
 - (i) the contract mentioned in section 584(1)(a) of CTA 2009, or
 - (ii) the contract mentioned in section 586(1)(a) of that Act, as the case may be.
- (5) In subsection (4)(a)(i) the reference to an asset includes a reference to—
- (a) the value of an asset, and
 - (b) profits attributable to it.
- (6) Profits are to be calculated without regard to items giving rise to credits or debits which would be within Part 7 of CTA 2009 (derivative contracts) but for section 589(2)(b) and (c) of that Act (exclusion of share-based and unit trust-based contracts).
- (7) Income and expenditure relating partly to property rental business and partly to residual business are to be apportioned on a just and reasonable basis.
- (8) Section 3(1) of CAA 2001 (claims for capital allowances) does not apply; and any allowance which could be claimed under that provision is to be made automatically and reflected in the calculation of profits.
- [^{F1}(9) No account is to be taken of Part 7ZA of this Act (restrictions on obtaining certain deductions in respect of carried-forward losses).]

Textual Amendments

- F1** S. 599(9) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 168](#)

[^{F2}599A Amount of distribution consisting of share capital issued in lieu of cash dividend

- (1) For the purposes of this Part, the amount of a distribution, so far as it consists of share capital issued in lieu of a cash dividend, is the cash equivalent of the share capital.
- (2) Section 412(1), (2), (4) and (5) of ITTOIA 2005 (meaning of “cash equivalent of share capital”) applies for the purposes of this section as it applies in relation to share capital issued as mentioned in section 410(1)(a) of that Act.]

Textual Amendments

- F2** S. 599A inserted (with effect in accordance with Sch. 4 para. 12 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), [Sch. 4 para. 10](#)

Modifications etc. (not altering text)

- C1** S. 599A applied by 2007 c. 3, s. 973(3B) (as inserted (with effect in accordance with Sch. 4 para. 12 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), [Sch. 4 para. 2](#))

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600 Power to make regulations about cases involving related persons

- (1) If they consider it expedient in the public interest the Treasury may make regulations about the application of this Part to activities or situations which involve, or arise in connection with, a relationship between a REIT company and another person.
- (2) In subsection (1) “REIT company” means—
 - (a) a company UK REIT, or
 - (b) a company which is a member of a group UK REIT.
- (3) The regulations may, in particular—
 - (a) treat a specified person, or a person in specified circumstances, as forming part of a group UK REIT for specified purposes;
 - (b) provide for a specified provision which applies in respect of a members of a group UK REIT also to apply, with or without modifications, in respect of a specified person or a person in specified circumstances.
- (4) Regulations under this section may make provision in relation to accounting periods ending on or after the date on which the regulations are made.
- (5) No regulations may be made under this section unless a draft of the statutory instrument containing them has been laid before and approved by a resolution of the House of Commons.

601 Availability of group reliefs

- (1) In the application of a provision specified in subsection (2) to a group of companies, the group so far as it carries on property rental business while it is a UK REIT is to be treated as a separate group, distinct from—
 - (a) the pre-entry group,
 - (b) the group so far as it carries on residual business while it is a UK REIT, and
 - (c) the post-cessation group.
- (2) The provisions mentioned in subsection (1) are—
 - (a) section 171 of TCGA 1992 (transfer of assets within group),
 - (b) sections 171A to 171C of TCGA (reallocation of gain or loss within group),
 - (c) sections 179A and 179B of TCGA 1992 (degrouching: reallocation of gain or loss, or rollover of gain, within group),
 - (d) Chapters 4 and 6 to 8 of Part 5 of CTA 2009 (loan relationships),
 - (e) Part 7 of that Act (derivative contracts),
 - (f) Part 8 of that Act (intangible assets),^{F3}...
 - (g) Part 5 of this Act (group relief)^{F4}, and
 - (h) Part 5A of this Act (group relief for carried-forward losses)]

Textual Amendments

- F3** Word in s. 601(2)(f) omitted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 169\(a\)](#)
- F4** S. 601(2)(h) and word inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 169\(b\)](#)

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602 Effect of deemed disposal and reacquisition

A deemed disposal and reacquisition of an asset under this Part is to be taken into account for the purposes of any subsequent disposal (whether actual or deemed).

603 Regulations

Regulations under this Part—

- (a) may make provision which applies generally or only in specified cases or circumstances,
- (b) may make different provision for different cases or circumstances, and
- (c) may contain incidental, supplemental, consequential and transitional provision and savings.

Changes to legislation:

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