

---

STATUTORY INSTRUMENTS

---

**2006 No. 2866**

The Real Estate Investment Trusts  
(Joint Ventures) Regulations 2006

PART 2

Single Company Real Estate Investment Trusts

**Notice**

2.—(1) A company to which Part 4 applies may give a joint venture look through notice if the conditions in regulation 3(1) are satisfied.

The company which gives the notice is referred to in these Regulations as the venturing company.

(2) The notice must specify the accounting period of the venturing company from the beginning of which, and the joint venture company to which, these Regulations are to apply.

(3) The notice must be given in writing to the Commissioners for Her Majesty's Revenue and Customs before the beginning of the specified accounting period.

(4) The notice must be signed by the company secretary or a director of the joint venture company to which these Regulations are to apply.

(5) A venturing company may give a joint venture look-through notice at the same time it gives notice under section 109 (notice to enter the Real Estate Investment Trust regime) or at any later time when Part 4 applies to it.

**Conditions**

3.—(1) The conditions are as follows.

*Condition 1*

The venturing company is carrying on a joint venture with another person.

*Condition 2*

The joint venture takes the form of a company.

*Condition 3*

The joint venture company is carrying on a property rental business as defined in section 104.

*Condition 4*

The venturing company is beneficially entitled to 40% or more of the profits available for distribution to equity holders in the joint venture company.

*Condition 5*

The venturing company is beneficially entitled to 40% or more of the assets of the joint venture company available to equity holders in the event of a winding up.

*Condition 6*

The property rental business carried on by the joint venture company does not involve property that would fall in accordance with generally accepted accounting practice to be described as owner-occupied.

*Condition 7*

The joint venture company would satisfy Conditions 1 and 2 in section 108 (conditions for balance of business) if references in that section to—

- (a) the “tax-exempt business” were references to the joint venture company’s property rental business, and
- (b) the “company” were references to the joint venture company.

(2) For the purposes of Conditions 6 and 7, owner-occupied property includes property held by the joint venture company and occupied by the venturing company.

**Duration**

4. Once these Regulations have begun to apply to a joint venture company, they shall continue to apply to it unless and until the venturing company ceases to satisfy condition 4 or condition 5 in regulation 3.

**Financial statements**

5.—(1) A venturing company shall prepare a financial statement, in accordance with the Real Estate Investment Trusts (Financial Statements of Group Real Estate Investment Trusts) Regulations 2006<sup>(1)</sup> for each of its accounting periods in respect of any joint venture company in respect of which it has made an election that these Regulations should apply.

(2) Paragraph 31 of Schedule 17 shall apply to the financial statement required under paragraph (1) as if—

- (a) references in sub-paragraphs (2) to (4) to the principal company were references to the venturing company;
- (b) references in sub-paragraphs (2) to (4) to G (property rental business) were references to the sum of C (tax-exempt) and the property rental business of the joint venture company;
- (c) references in sub-paragraphs (2) to (4) to G (residual) were references to the sum of C (residual) and so much of the business of the joint venture company as is not property rental business;
- (d) references to a member of a group were references to the venturing company or the joint venture company; and
- (e) for sub-paragraphs (5) and (6) there were substituted—

“(5) The financial statements for G (property rental business) and G (residual) shall exclude that percentage of income, expenses, gains, losses, assets and liabilities of any joint venture company or companies equalling the percentage of beneficial interest in the joint venture company that is not held by the venturing company.

(6) For this purpose, the percentage of beneficial interest shall be determined by reference to beneficial entitlement to profits available for distribution to equity holders.”.

---

(1) S.I. 2006/ 2865

## Requirements for venturing companies

6.—(1) A venturing company must include the proportion of the profits of the joint venture company to which it is beneficially entitled within the amount of the profits of its property rental business for the purposes of determining whether Condition 4 in section 107(8) is satisfied.

(2) A venturing company must include the proportion of profits of the joint venture company to which it is beneficially entitled within the amount of profits arising from tax-exempt business for the purposes of determining whether the venturing company has satisfied Condition 1 in section 108(2).

(3) A venturing company must include the percentage of assets to which it is beneficially entitled within the valuation of the assets involved in tax-exempt business for the purposes of calculating whether the venturing company has satisfied Condition 2 in section 108(3).

(4) Section 115 and the regulations made under it shall apply as if for subsection (2) there were substituted—

“(2) That sum is—

Profits + Financing Costs (JV)  
Financing Costs (external)

where—

- (a) Profits means the aggregate of—
  - (i) the profits of the tax-exempt business of the company before the off-set of capital allowances;
  - (ii) the financing costs of the company’s property rental business as claimed for tax purposes;
- (b) Financing Costs (JV) means the aggregate of—
  - (i) the company’s share of the profits of the property rental business of the joint venture company before the set-off of capital allowances, and
  - (ii) the company’s share of the financing costs of the joint venture company’s property rental business as claimed for tax purposes;
- (c) Financing Costs (external) means the sum of the financing costs of C (tax-exempt) and the venturing company’s proportion of the financing costs of the UK property rental business of the joint venture company but disregarding in both cases financing costs owed by the venturing company to the joint venture company and vice versa.”.

## Tax charges and exemptions

7.—(1) This regulation specifies charges to, and exemptions from, tax which apply in the case of a venturing company and a joint venture company to which these Regulations apply.

(2) Section 111 (effects of entry) and section 131 (effects of cessation) shall apply to the proportion of assets and business of the joint venture company in which the venturing company has an interest.

For this purpose references in those sections to—

- (a) C (pre-entry) shall be read as references to the venturing company’s interest in the joint venture company before the date on which a joint venture look through notice becomes effective;
  - (b) C (tax-exempt) shall be read as references to the venturing company’s share of the property rental business of the joint venture company from the date on which a joint venture look through notice becomes effective.
- (3) Section 112 (entry charge) shall have effect in relation to a venturing company and a joint venture company with the following modifications—

- (a) a reference to a company to which Part 4 applies shall be treated as a reference to a UK resident joint venture company to which these Regulations apply, and
  - (b) the reference in subsection (3)(a) to the aggregate market value of assets shall be treated as including the proportion of the venturing group member's interest in the aggregate market value of the assets of the property rental business of the joint venture company.
- (4) Section 117 (cancellation of tax advantage) shall apply to the joint venture company.

For this purpose references to a "company" shall be read as including a reference to a joint venture company to which these Regulations apply.

(5) Sections 119(1) (exemption from corporation tax) and 120 (calculation of profits) shall apply in relation to the venturing company's share of the profits deriving from the property rental business of the joint venture company.

(6) Sections 124(1) and (2), 125 and 126 (corporation tax provisions) shall apply in relation to the venturing company's share of a gain accruing to the joint venture company in respect of assets involved in the property rental business.

For this purpose references to—

- (a) C (tax-exempt) shall be read as references to the venturing company and the UK property rental business of the joint venture company; and
- (b) C (residual) shall be read as references—
  - (i) to the venturing company insofar as it carries out business which is not tax exempt; and
  - (ii) to the joint venture company insofar as it carries on other business which is not property rental business.

(7) For the purposes of this regulation a reference to the "UK property rental business of the joint venture company" is a reference to—

- (a) the property rental business of the joint venture company if that company is UK resident, and
- (b) the property rental business in the UK of the joint venture company if that company is not resident in the UK.

### **Non-resident joint venture companies and single company UK real estate investment trusts**

**8.—(1)** This regulation applies to a company and a non-UK resident joint venture company to which these Regulations apply.

- (2) Paragraph 32 of Schedule 17 shall apply with the following modifications—
  - (a) references to the company shall be read as references to the non-UK resident joint venture company to which these Regulations apply;
  - (b) sub-paragraph (7) shall apply as if—
    - (i) the reference to a "UK resident member of a group to which Part 4 applies" was read as a reference to the UK resident company to which these Regulations apply, and
    - (ii) for "which represents (wholly or partly and directly or indirectly) profits of UK property rental business of a non-UK resident member of the group, such proportion of the dividend as represents those profits" there were substituted "such proportion of the dividend as represents profits of the UK property rental business".

(3) Section 112 as modified by paragraph 11 of Schedule 17 shall apply to the non-UK resident joint venture company as if the reference in paragraph 11(1)(d) of Schedule 17 to a "non-UK resident

member” was read as a reference to a non-UK resident joint venture company to which these Regulations apply.