
STATUTORY INSTRUMENTS

2006 No. 2866

**The Real Estate Investment Trusts
(Joint Ventures) Regulations 2006**

PART 3

Group Real Estate Investment Trusts

Notice

9.—(1) A group of companies to which Part 4 applies (“the venturing group”) may give notice for these Regulations to apply if the conditions in regulation 10(1) are satisfied.

(2) The notice must specify the accounting period of the principal company of the venturing group 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 by the principal company of the venturing group 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) The principal company of the venturing group may give a joint venture look through notice at the same time it gives notice under section 109 (as modified by paragraph 8 of Schedule 17) (notice to join the Group Real Investment Trust regime) or at any later time when Part 4 applies to it.

Conditions

10.—(1) The conditions are as follows.

Condition 1

The venturing group is carrying on a joint venture with another company or 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

One or more members of the venturing group are beneficially entitled in the aggregate to 40% or more of the profits available for distribution to equity holders in the joint venture company.

Condition 5

One or more members of the venturing group are 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 the “tax-exempt business” and the “company” were read as references to the property rental business of 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 a member of the venturing group.

(3) For the purposes of these Regulations the property rental businesses of the venturing group and the joint venture company shall be treated as a single business.

Duration

11. Once these Regulations have begun to apply to a venturing group and a joint venture company they shall continue to apply to the venturing group and the joint venture company unless and until the venturing group ceases to satisfy either condition 4 or 5 in regulation 10 in respect of that joint venture company.

Financial statements

12.—(1) The principal company of a venturing group shall include the information referred to in paragraph (2) in the financial statement submitted in accordance with the provisions of paragraphs 5(2) and 31 of Schedule 17.

In the application of those provisions for the purposes of this paragraph—

- (a) references to each member are to be read as references to each joint venture company in respect of which a joint venture look-through notice has been given; and
- (b) references to a non-member are references to a person or body which is neither a member of the venturing group nor a joint venture company in respect of which a joint venture look-through notice has been given.

(2) The information is the percentage of income, expenses, gains, losses, assets and liabilities of the joint venture company which represent interests of a member of the venturing group in the joint venture company.

The percentage shall be determined by reference to beneficial entitlement to profits available for distribution to equity holders.

Tax charges and exemptions

13.—(1) Section 119 and section 120, shall apply in relation to a venturing group and a joint venture company with the following further modifications.

(2) References to G (property rental business) shall be read as including the percentage of the venturing group’s interest in the property rental business of the joint venture company and references to G (residual) shall be read as including any non-property rental business of the joint venture company.

(3) Sections 111 and 131 (joining and leaving group) shall apply in relation to a joint venture company as they apply to a group to which Part 4 applies.

For this purpose references to becoming a member of the group are to be read as references to the time at which a joint venture look-through notice becomes effective.

(4) Section 112 (entry charge) as modified by paragraph 11 of Schedule 17 shall have effect in relation to a venturing group and a joint venture company with the following further 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 joint venture company

(5) Section 117 applies to a joint venture company as it applies to a company to which Part 4 applies.

(6) Section 124 as modified by paragraph 21 of Schedule 17 shall apply in relation to the UK joint venture company with the following further modifications—

- (a) references to C (tax-exempt) shall be read as a reference to the joint venture company in so far as it—
 - (i) carries on property rental business, and
 - (ii) is owned by a member of the venturing group.
- (b) references to C (residual) shall be read as a reference to the joint venture company in so far as it—
 - (i) carries out other non-tax exempt business; and
 - (ii) is owned by a member of the venturing group.

(7) Sections 125 and 126 as modified by paragraphs 21 and 22 of Schedule 17 shall apply to the joint venture company as if it were a member of the venturing group.

(8) This regulation is subject to regulation 14.

Joint ventures - entry charges

14.—(1) Where a venturing company to which Part 2 of these Regulations applies—

- (a) becomes the principal company of a group to which Part 4 applies, and
- (b) gives a new joint venture look through notice under regulation 9 (a “new notice”) in respect of that group and the joint venture company to which Part 2 previously applied, and
- (c) the venturing company's shareholding in that joint venture company remains the same

sections 111, 112 and 131 shall not operate to impose a charge to corporation tax under section 112(1) in respect of the assets involved in the property rental business of the joint venture company.

(2) Where a venturing company to which Part 2 of these Regulations applies—

- (a) becomes the principal company of a group to which Part 4 applies, and
- (b) gives a new notice in respect of that group and the joint venture company to which Part 2 previously applied, and
- (c) the venturing company's shareholding in the joint venture company had increased in the period between the date on which the venturing company first gave a joint venture look through notice under regulation 2 (“the first notice”) and the date on which the new notice was given

the provisions of paragraph (3) shall apply.

(3) The notional income calculated under sections 111 and 112 (as modified by paragraphs 9 to 11 of Schedule 17 and further modified by regulation 13(3) and (4)), shall be reduced by the amount of notional income that was calculated under sections 111 and 112 (as modified by regulation 7(2)

and (3)) in respect of the assets involved in the property rental business of the joint venture company at the time the first notice was given.

- (4) Where a venturing company to which Part 2 of these Regulations applies—
- (a) becomes the principal company of a group to which Part 4 applies, and
 - (b) gives a new notice in respect of that group and the joint venture company to which Part 2 previously applied, and
 - (c) increases its share holding in the joint venture company to 75% or more, and
 - (d) gives a notice under section 109 (as modified by paragraph 8 of Schedule 17) making the venturing company and the joint venture company members of a group to which Part 4 applies,

sections 111 and 112 (as modified by paragraphs 9 to 11 of Schedule 17) shall continue to apply with the modifications set out in paragraph (5).

(5) The notional income shall be reduced by the amount of notional income that was calculated as arising under sections 111 and 112 (as modified by regulation 7(2) and (3)) in respect of the assets involved in the property rental business of the joint venture company at the time the venturing company gave the first notice.

- (6) Where a venturing group to which Part 2 of these Regulations applies—
- (a) increases its share holding in the joint venture company to 75% or more, and
 - (b) the joint venture company becomes a member of the group to which Part 4 applies

sections 111 and 112 (as modified by paragraphs 9 to 11 of Schedule 17) shall continue to apply with the modifications set out in paragraph (7).

(7) The notional income shall be reduced by the amount of notional income that was calculated as arising under sections 111 and 112 (as modified by regulation 13(3) and (4)) in respect of the assets involved in the property rental business of the joint venture company at the time the venturing group gave the first notice under regulation 9 in respect of that company.

Non-resident joint venture companies and group Real Estate Investment Trusts

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

- (2) Paragraph 32 of Schedule 17 shall apply with the following further modifications—
- (a) in sub-paragraph (1) the reference to a member of a group to which Part 4 applies shall be read as a reference to the joint venture company to which these Regulations apply;
 - (b) references to the company shall be read as references to the joint venture company to which these Regulations apply;
 - (c) in sub-paragraph (7) the reference to a UK resident member of a group to which Part 4 applies shall be read as a reference to a UK resident member of a venturing group to which these Regulations apply.

(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 were a reference to a non-UK resident joint venture company to which these Regulations apply.