
STATUTORY INSTRUMENTS

2007 No. 3425

**The Real Estate Investment Trusts (Joint
Venture Groups) Regulations 2007**

PART 3

Joint Venture Groups: Group Real Estate Investment Trusts

Notice

17.—(1) If the Conditions in regulation 18 are satisfied, a group of companies to which Part 4 applies (“venturing group”) may give notice for these Regulations to apply.

(2) The notice (a “joint venture group look through notice”) must specify—

- (a) the accounting period of the principal company of the venturing group from the beginning of which these Regulations are to apply, and
- (b) the principal company of the joint venture group 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.

(4) The notice must be signed by the company secretary or a director of—

- (a) the principal company of the venturing group, and
- (b) the principal company of the joint venture group to which these Regulations are to apply.

(5) The principal company of a venturing group may give a joint venture group look through notice—

- (a) at the same time it gives notice under section 109(1), as modified by paragraph 8 of Schedule 17, (notice to enter the Real Estate Investment Trust regime), or
- (b) any later time when Part 4 applies to it.

(6) The notice must be given before the beginning of the specified accounting period.

This paragraph is subject to paragraphs (7) to (9).

(7) The principal company of a venturing group may give, within a period of 60 days beginning with the day on which these Regulations come into force, a joint venture group look through notice in respect of an accounting period that began on or after 1st January 2007 but before the date on which these Regulations come into force.

Conditions for giving notice

18. The Conditions referred to in regulation 17 are as follows.

Condition 1

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

Condition 2

The joint venture takes the form of a joint venture group.

Condition 3

At least one member of the joint venture group is carrying on property rental business as defined in section 104 and as construed in accordance with regulation 4(4).

Condition 4

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

Condition 5

The members of the venturing group are, in aggregate, beneficially entitled to 40% or more of the assets of the principal company of the joint venture group available to equity holders in the event of a winding up.

Duration and effect of notice

19.—(1) On giving notice in accordance with regulation 17 these Regulations shall apply to the venturing group and shall continue to apply unless and until—

- (a) the venturing group ceases to satisfy Condition 4 or 5 in regulation 18, or
- (b) Part 4 ceases to apply to the venturing group for any reason.

(2) On giving notice in accordance with regulation 17 these Regulations shall apply to each company that is or becomes a member of the joint venture group and (other than regulation 26) shall continue to apply unless and until—

- (a) the venturing group ceases to satisfy Condition 4 or 5 in regulation 18,
- (b) Part 4 ceases to apply to the venturing group for any reason, or
- (c) the member ceases to be a member of the joint venture group.

(3) Regulation 26 (early exit) shall continue to apply whether or not the circumstances are such that these Regulations otherwise cease to apply in accordance with this regulation.

(4) A notice under regulation 17 has effect—

- (a) in relation to a venturing group, and
- (b) for an accounting period of the principal company of the venturing group,

only if the Conditions referred to in regulation 20 are satisfied by the joint venture group in relation to that accounting period.

Joint venture group: conditions for balance of business

20.—(1) This regulation applies if a joint venture group look through notice under regulation 17 has been given in respect of a joint venture group.

(2) The joint venture group, taken as a whole, must satisfy Condition 1 in section 108 (conditions for balance of business)(2), as modified by paragraph 7 of Schedule 17—

- (a) in the accounting period specified in the joint venture group look through notice, and
- (b) in each subsequent accounting period.

(3) The joint venture group, taken as a whole, must satisfy Condition 2 in section 108 (conditions for balance of business), as modified by paragraph 7 of Schedule 17—

(2) Section 108 was amended by paragraph 4 of Schedule 17 to the Finance Act 2007.

- (a) at the beginning of the accounting period specified in the joint venture group look through notice, and
- (b) at the beginning of each subsequent accounting period.
- (4) For the purposes of this regulation—
 - (a) references in section 108 and in paragraph 7 of Schedule 17 to tax-exempt business shall be treated as references to the UK business of the joint venture group,
 - (b) references in section 108 to the company shall be treated as references to the joint venture group,
 - (c) references in paragraph 7 of Schedule 17 to G (property rental business) shall be treated as references to JVG (property rental business), and
 - (d) references in paragraph 7 of Schedule 17 to G (residual) shall be treated as references to JVG (residual).

Joint venture group: financial statements

21.—(1) If a joint venture group look through notice has been given under regulation 17 in respect of a joint venture group, the principal company of that group shall prepare financial statements for each of its accounting periods in respect of the joint venture group.

(2) Paragraph 31 of Schedule 17 shall apply to the financial statements required under paragraph (1) with the following modifications.

- (3) References in paragraph 31 shall be construed as follows—
 - (a) references to the principal company shall be treated as references to the principal company of the joint venture group,
 - (b) references in sub-paragraph (2) to G (property rental business) shall be treated as references to JVG (property rental business),
 - (c) the reference in sub-paragraph (2) to G (residual) shall be treated as a reference to JVG (residual),
 - (d) the reference in sub-paragraph (2) to UK business shall be treated as a reference to UK business of the joint venture group, and
 - (e) references to a member of a group shall be treated as references to a member of the joint venture group.

(4) For sub-paragraphs (5) and (6) there shall be treated as substituted—

“(5) The financial statements for JVG (property rental business) and JVG (residual) shall exclude that percentage of income, expenses, gains, losses, assets and liabilities of any member of the joint venture group equalling the percentage of beneficial interest in that member not held by the members of the joint venture group.

(6) For this purpose, the percentage of beneficial interest shall be determined by reference to the beneficial entitlement of the members of the joint venture group to profits available for distribution to them as equity holders in the member.”

Venturing group: financial statements

22.—(1) If a joint venture group look through notice has been given under regulation 17 in respect of a joint venture group, the principal company of the venturing group shall include the information specified in paragraph (2) in the financial statements submitted in accordance with the provisions of paragraphs 5(2) and 31 of Schedule 17.

(2) The information is the relevant percentage of income, expenses, profits and assets of the member of the joint venture group which represents interests of a member of the venturing group in that member of the joint venture group.

(3) For the purposes of paragraph (2) “the relevant percentage” shall be determined by reference to the percentage of the member of the joint venture group’s profits available for distribution to equity holders to which the members of the venturing group are beneficially entitled.

(4) In the application of paragraphs 5(2) and 31 of Schedule 17 for the purposes of this regulation—

- (a) references to each member are to be treated as references to each member of the joint venture group, 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 member of the joint venture group.

Tax charges and exemptions: group real estate investment trusts

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

(2) Section 111 (effects of entry), as modified by paragraph 9 of Schedule 17, shall apply in relation to a member of a joint venture group with the following further modifications—

- (a) references in paragraph 9 of Schedule 17 to G (pre-entry) shall be treated as references to the joint venture group before these Regulations applied to the group,
- (b) references in paragraph 9 of Schedule 17 to G (property rental business) shall be treated as references to JVG (property rental business), and
- (c) section 111(1) to (4) shall be treated as applying to the assets and business of the member only to the extent of the percentage of the beneficial interest which the members of the venturing group in aggregate have in the principal company of the joint venture group.

(3) Section 112 (entry charge), as modified by paragraph 11 of Schedule 17, shall apply in relation to a member of a joint venture group with the following further modifications—

- (a) a reference to each member of a group to which Part 4 applies shall be treated as a reference to each member of the joint venture group to which these Regulations apply,
- (b) references to G (residual) shall be treated as references to JVG (residual), and
- (c) the reference in subsection (3)(a) to the aggregate market value of assets shall be treated as a reference to the amount of the aggregate market value of the assets of the property rental business of the member to the extent of the percentage of the beneficial interest which the members of the venturing group in aggregate have in the principal company of the joint venture group, and
- (d) the reference in paragraph 11(2) of Schedule 17 to a company which joins a group to which Part 4 applies shall be treated as a reference to a company which joins a joint venture group in respect of which a notice under regulation 17 has been given.

(4) Section 117 (cancellation of tax advantage)(3), as modified by paragraph 15 of Schedule 17, shall apply to the members of a joint venture group as it applies to members of a group to which Part 4 applies.

(5) Sections 119(1) (profits exemption from corporation tax), as modified by paragraph 17 of Schedule 17, shall apply in relation to a UK resident member of a joint venture group with the following further modifications—

(3) Section 117 of the Finance Act 2006 was amended by paragraph 8 of Schedule 17 to the Finance Act 2007.

- (a) references to G (property rental business) shall be treated as references to JVG (property rental business),
 - (b) references to G (residual) shall be treated as references to JVG (residual),
 - (c) references to C (tax-exempt) shall be treated as references to the member if or in so far as it is a member of JVG (property rental business), and
 - (d) the reference in section 119(1) to “profits arising from the business of C (tax-exempt)” shall be treated as a reference to the amount of profits arising from the member’s property rental business to which the members of the venturing group in aggregate are beneficially entitled.
- (6) Section 120 (calculation of profits)(4) shall apply in relation to a member of a joint venture group.
- (7) Section 124(1) and (2) (corporation tax), as modified by paragraph 21 of Schedule 17, shall apply in relation to a member of a joint venture group to the extent of the percentage of the beneficial interest to which the members of the venturing group in aggregate have in the principal company of the joint venture group with the following further modifications—
- (a) references to G (property rental business) shall be treated as references to JVG (property rental business),
 - (b) references to G (residual) shall be treated as references to JVG (residual), and
 - (c) the reference in paragraph 21(2) of Schedule 17 to paragraph 31(5) shall be treated as a reference to that paragraph as substituted by regulation 21(4).
- (8) Section 125 (movement of assets out of ring-fence) and section 126 (movement of assets into ring-fence), as modified by paragraphs 21 and 22 of Schedule 17, shall apply in relation to a UK resident member of the joint venture group to the extent of the percentage of the beneficial interest which the members of the venturing group, in aggregate, have in the principal company of the joint venture group with the following further modifications—
- (a) references to G (property rental business) shall be treated as references to JVG (property rental business),
 - (b) references to G (residual) shall be treated as references to JVG (residual), and
 - (c) the reference in paragraph 21(2) of Schedule 17 to paragraph 31(5) shall be treated as a reference to that paragraph as substituted by regulation 21(4).
- (9) Section 131 (effects of cessation), as modified by paragraph 25 of Schedule 17, shall apply in relation to a member of a joint venture group with the following further modifications—
- (a) references in paragraph 25 of Schedule 17 to G (property rental business) shall be treated as references to JVG (property rental business),
 - (b) the reference in paragraph 25 of Schedule 17 to G (residual) shall be treated as a reference to JVG (residual),
 - (c) the reference in paragraph 25 of Schedule 17 to G (post-cessation) shall be treated as a reference to the joint venture group after these Regulations (other than regulation 26 (early exit)) cease to apply to the group, and
 - (d) section 131(1) to (4) shall be treated as applying to the assets and business of the member only to the extent of the percentage of the beneficial interest to which the members of the venturing group in aggregate have in the principal company of the joint venture group.
- (10) For the purposes of this regulation the percentage of the beneficial interest which the members of the venturing group in aggregate have in the principal company of a joint venture group

(4) Section 120 of the Finance Act 2006 was amended by paragraph 9 of Schedule 17 to the Finance Act 2007.

is the percentage of the profits of the principal company available for distribution to equity holders to which the members of the venturing group are in aggregate beneficially entitled.

Changes in company shareholdings: entry charges

24.—(1) Paragraphs (2) and (3) apply if a member of a venturing group to which these Regulations apply—

- (a) increases its shareholding to 75% or more in a member of a joint venture group to which Part 3 of these Regulations applies, and
- (b) the member of the joint venture group becomes a member of the group to which Part 4 applies.

(2) Sections 111 and 112, as modified by paragraphs 9 to 11 of Schedule 17, shall continue to apply subject to paragraph (3).

(3) The notional income shall be reduced by the amount of notional income that was calculated as arising under section 112, as modified by paragraph 11 of Schedule 17 and as further modified by regulation 23—

- (a) if the member is UK resident, in respect of the assets involved in its property rental business at beginning of the accounting period specified in the joint venture group look through notice given under regulation 17 in respect of the member, and
- (b) if the member is non-UK resident, in respect of the assets involved in its property rental business in the United Kingdom at the beginning of the accounting period specified in the joint venture group look notice given under regulation 17 in respect of the member.

This is subject to paragraph (4).

(4) If the member joined the joint venture group after the end of the accounting period specified in the notice under regulation 17 applying these regulations to the joint venture group, paragraph (3) shall apply with references to the accounting period specified in the joint venture group look through notice treated as references to the date the member joined the joint venture group.

Non-resident members of joint venture group: group real estate investment trusts

25.—(1) This regulation applies if a notice under regulation 17 has been given applying these Regulations to a joint venture group which includes a non-UK resident member.

(2) Paragraph 32 of Schedule 17 shall apply with the following modifications—

- (a) in sub-paragraph (1) the reference to a “non-UK resident company which is a member of a group to which Part 4 applies” shall be treated as a reference to a non-UK resident company which is a member of the joint venture group to which these Regulations apply, and
- (b) in sub-paragraph (7)—
 - (i) the reference to a “UK resident member of a group to which Part 4 applies” shall be treated as a reference to a UK resident member of a venturing group to which these Regulations apply, and
 - (ii) the reference to a “non-UK resident member of the group” shall be treated as a reference to a non-UK resident member of a joint venture group to which these Regulations apply, and
- (c) in sub-paragraph (8) the reference to “UK resident member of the group” shall be treated as a reference to a UK resident member of the joint venture group.

(3) Section 112, as modified by paragraph 11 of Schedule 17, shall apply to the non-UK resident member of the joint venture group as if the reference in sub-paragraph (1)(d) of that paragraph to

“non-UK resident members” were a reference to non-UK resident members of a joint venture group to which these Regulations apply.

Early exit

26.—(1) Paragraph (2) applies if a joint venture group look through notice has been given in accordance with regulation 17 applying these Regulations to a member of a joint venture group and—

- (a) these Regulations (other than this regulation) cease to apply in accordance with regulation 19, and
- (b) these Regulations had applied to the member for a continuous period, immediately before these Regulations (other than this regulation) ceased to have effect, of less than ten years.

(2) Section 132(2) and (3), as modified by paragraph 27 of Schedule 17, shall apply with the following further modifications—

- (a) the reference in paragraph 27(a) to a member of the group shall be treated as a reference to the member of the joint venture group,
- (b) the reference in paragraph 27(b) to G (property rental business) shall be treated as a reference to JVG (property rental business),
- (c) the references in section 132(2) to sections 111(2), 125(2) and 131(3) shall be treated as references to each of those sections as applied by these Regulations, and
- (d) in section 132(3)(b) the date of cessation shall be treated as the date on which these Regulations (other than this regulation) ceased to apply.

(3) Paragraph (4) applies if a UK resident member of a joint venture group in respect of which a joint venture group look through notice has been given in accordance with regulation 17 ceases to be a member of that group, and

- (a) the notice applied these Regulations to the member for a continuous period of less than ten years, or
- (b) the member had been a member of the joint venture group for a continuous period of less than ten years.

(4) Section 132(2) and (3), as modified by paragraph 28(2) of Schedule 17, shall apply with the following further modifications—

- (a) the reference in paragraph 28(2)(a) to G (property rental business) shall be treated as a reference to JVG (property rental business),
- (b) the reference in paragraph 28(2)(b) to a member of the group shall be treated as a reference to a member of the joint venture group,
- (c) the reference in section 132(2) to a company shall be treated as a reference to the member of the joint venture group, and
- (d) the references in section 132(2) to sections 111(2), 125(2) and 131(3) shall be treated as references to each of those sections as applied by these Regulations.