

Govt 138+139+140+141+142+143+144+145+146+147+148+149+
150+151+152+153+154+155+156+157+158

AMENDMENT NOTE

Government

Mr Stephen Timms

138, Schedule 17, page 214, line 11,

leave out ‘transfers’ and insert ‘disposes of’.

Mr Stephen Timms

139, Schedule 17, page 214, line 13,

after ‘S’ insert ‘to another company (‘P’),’.

Mr Stephen Timms

140, Schedule 17, page 214, line 14,

leave out ‘on the date of the transfer of the asset, S’ and insert ‘on the date when it acquires the interest in S, P’.

Mr Stephen Timms

141, Schedule 17, page 214, line 15,

after ‘109’ insert ‘(as modified by paragraph 8 of Schedule 17)’.

Govt 138+139+140+141+142+143+144+145+146+147+148+149+
150+151+152+153+154+155+156+157+158

Mr Stephen Timms
142, Schedule 17, page 214, line 17,

leave out 'transfer' and insert 'disposal of the asset'.

Mr Stephen Timms
143, Schedule 17, page 214, line 18,

leave out 'S' and insert 'the group of which S is a member'.

Mr Stephen Timms
144, Schedule 17, page 214, line 19,

at end insert-
'() P may give a notice under section 109 (as modified by paragraph 8
of Schedule 17)in accordance with subsection (1)(c) even if it does not
expect to satisfy Conditions3 to 6 of Section 106 throughout the
accounting period specified in the notice.'

Mr Stephen Timms
145, Schedule 17, page 214, line 21,
leave out 'S' and insert ' the group of which S is a member'.

Mr Stephen Timms
146,Schedule 17, page 214, line 22,

leave out 'transferred' and insert 'disposed of'.

Govt 138+139+140+141+142+143+144+145+146+147+148+149+
150+151+152+153+154+155+156+157+158

Mr Stephen Timms

147, Schedule 17, page 214, line 24,

leave out ‘transfer’ and insert ‘disposal’.

Mr Stephen Timms

148, Schedule 17, page 214, line 25,

at end insert-

‘() But if, at the end of the period of six months mentioned in
subsection (1)(c),

Conditions 3 to 6 in section 106 are not satisfied in relation to P,
subsection (2)

shall be treated as not having had effect.’.

Mr Stephen Timms

149, Schedule 17, page 215, line 13,

after ‘group’ insert ‘(“Group 1”)’.

Mr Stephen Timms

150, Schedule 17, page 215, line 16,

leave out ‘ the group,’ and insert ‘Group 1,’.

Mr Stephen Timms

151, Schedule 17, page 215, line 19,

leave out ‘ the principal company of a group ‘ and insert ‘a member
of another group (“Group 2”)’.

Govt 138+139+140+141+142+143+144+145+146+147+148+149+
150+151+152+153+154+155+156+157+158

Mr Stephen Timms

152, Schedule 17, page 215, line 22,

leave out ‘it’ and insert ‘ the company (or the principal company of Group 2)’.

Mr Stephen Timms

153, Schedule 17, page 215, line 24,

leave out ‘ the group,’ and insert ‘Group 1.’.

Mr Stephen Timms

154, Schedule 17, page 215, line 27,

leave out ‘the group.’ and insert ‘Group 1.’.

Mr Stephen Timms

155, Schedule 17, page 215, line 34,

leave out ‘ the principal company ’ and insert ‘a member’.

Mr Stephen Timms

156, Schedule 17, page 215, line 36,

leave out ‘the group.’ and insert ‘Group 1.’.

Mr Stephen Timms

Govt 138+139+140+141+142+143+144+145+146+147+148+149+
150+151+152+153+154+155+156+157+158

157, Schedule 17, page 216, line 3,

leave out ‘ the principal company’ and insert ‘a member’.

Mr Stephen Timms

158, Schedule 17, page 216, line 5,

leave out ‘the group.’ and insert ‘Group 1.’.

EXPLANATORY NOTE

SUMMARY

1. These amendments make changes to paragraphs 11 and 16 of Schedule 17, which contain provisions relating to Real Estate Investment Trusts demergers.

DETAILS OF THE AMENDMENTS

2. Paragraph 11 amends section 126 of FA 2006 by introducing a new section 126A.
3. Section 126A(1) describes the circumstances in which subsection (2) applies. This is when C (tax exempt) transfers an asset to a 75 per cent subsidiary of C (residual) and on the date of transfer the subsidiary gives a section 109 notice. The notice must specify an accounting period which begins within six months of the date of transfer of the asset, and Part 4 of FA 2006 must apply to the subsidiary from the beginning of the specified accounting period.

Govt 138+139+140+141+142+143+144+145+146+147+148+149+
150+151+152+153+154+155+156+157+158

4. Section 126A(2) provides that sections 111 and 112 of FA 2006 (effects of entry and entry charge) shall not apply to the subsidiary in relation to the transferred asset; and section 125 (movement of assets outside the ring fence) will not apply to the transfer of the asset by C (tax exempt).
5. Section 126A(3) provides that 75 per cent subsidiary means the same as in section 838 of ICTA.
6. Amendments 138-148 amend these provisions. The effect of the amendments is to make the provisions in section 126A apply to the company which acquires the interest in the subsidiary. The amendments also allow the company time to satisfy the conditions for entry to the UK-REITS regime.
7. Paragraph 16 (6) of Schedule 17 amends Schedule 17 of FA 2006 by introducing a new paragraph 34. Paragraph 34 contains provisions relating to demergers.
8. Paragraph 34(1) sets out the circumstances in which the paragraph applies. This is when a company ceases to be a member of a group to which Part 4 of FA 2006 applies, and immediately after, it becomes a company, or the principal company of a group, to which Part 4 applies. The company must give a notice under section 109 of FA 2006 no later than the date on which it ceases to be a member of the group and the notice must specify an accounting period which begins on the day it ceases to be a member of the group.
9. Paragraph 34(2) allows the company to give a section 109 notice even though it does not expect to satisfy conditions 3 to 6 of section 106 throughout the accounting period specified in the notice.

Govt 138+139+140+141+142+143+144+145+146+147+148+149+
150+151+152+153+154+155+156+157+158

10. Paragraph 34 (3) provides that the company shall be treated as a company or principal company of a group to which Part 4 applies during the six month period beginning with the date it ceases to be a member of the group.
11. Paragraph 34(4) provides that in these circumstances, sections 111, 112 (entry and entry charge) and 131(effects of cessation) of FA 2006 will not have effect.
12. Paragraph 34(5) provides that the paragraph will not apply if the company does not meet conditions 3 to 6 of section 106 within the six month period specified in sub- paragraph (3). In these circumstances the company will be treated as though it ceased to be a company or principal company of a group to which Part 4 applies on the date it ceased to be a member of the group.
13. Amendments 149-158 amend these provisions. The effect of the amendments is that paragraph 34 will apply in cases where the demerged company becomes a member of a new group UK-REIT.