# Jersey - the REIT choice for UK property investment

**Briefing Summary:** We have prepared this note in order to set out some initial information and considerations in relation to the use of a real estate investment trust ("REIT") which will list on The International Stock Exchange (formerly known as the Channel Islands Securities Exchange) ("TISE").

**Service Area:** Banking and Finance, Real Estate Finance, Corporate, Investment Funds, Real Estate Funds, Listing Services, The International Stock Exchange

**Sector:** Investment and Wealth Management, Real Estate

**Location:** Jersey

**Created Date:** 13 September 2024

In summary, this note includes information in relation to:

- the UK REIT regime;
- advantages of using a Jersey company as the REIT vehicle;
- TISE listing process and listing document requirements;
- TISE's continuing obligations requirements; and
- Carey Olsen and our REIT experience.

We trust that the above will be of assistance.

## What is a REIT?

**Background and benefits**

The REIT regime was introduced in the UK in 2007 in order to encourage investment in the UK real estate sector. Take-up beyond the largest property investment companies was relatively limited in the early years of the regime due to the state of the general economic climate and a perceived burden in complying with the REIT regulations.

Since the implementation of certain material enhancements to the regime in 2012 (including the abolition of a 2% entry charge on seeding assets and a general simplification of the qualifying conditions), numbers of new and converting REITs have continued to rise steadily.

The REIT is now an important and popular structure utilised by various leading real estate companies.

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**The principal attraction of the regime is that a REIT is not liable to pay UK corporation or capital gains tax on the profits (including rental income) arising from its property investments.**

The following is by way of background only and is intended to provide a high level summary of the key qualifying conditions. Specific English legal and tax advice should be taken to confirm the precise requirements and ensure that the proposed structure complies with the applicable REIT regulations and guidance and to obtain all necessary clearances and confirmations from HMRC prior to implementation.

## Qualifying conditions

In order to qualify as a REIT there are a number of conditions that must be met, certain of which are set out as follows.

**The REIT must be a company**

The company does not however need to be incorporated in the UK and may therefore be incorporated in Jersey. Many UK REITs are structured as Jersey companies.

**The REIT must be UK tax resident**

Jersey companies are by default tax resident in Jersey but it is straightforward and common for Jersey companies to become UK tax resident, provided that the company is centrally managed and controlled and actually resident for tax purposes in the UK. This is usually accomplished by a majority of the board being comprised of UK residents and board decisions being taken in the UK.

**The REIT must be listed on a recognised stock exchange**

For these purposes, TISE is a recognised stock exchange. Moreover, TISE has updated its Listing Rules in order to streamline the process for listing a UK REIT and to remove certain previous listing conditions.

Please refer to page 3 of the full note for further information in relation to TISE and the listing process.

**The REIT must not be a close company for UK purposes**

This broadly means that the REIT cannot be controlled by five or fewer participators though there are various exemptions for institutional investors, sovereign wealth funds and the like. The REIT regime allows three accounting periods to satisfy this requirement.

**The REIT must not be an open-ended investment company and the only shares the REIT can have in issue are a single class of ordinary share capital and various classes of relevant preference shares**

This is a common structure for Jersey companies, which in this context may operate exactly like a UK company.

**The REIT must not be party to any profit participating and other types of prohibited loans**

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## Other conditions / considerations

**Business conditions**

Naturally the REIT's business must focus on real estate. This will be satisfied where at least 75 per cent of the REIT's activities by reference to income and asset values relate to property investment business. In addition, the diversification rules require the business to hold at least three properties, each representing no more than 40 per cent of the total value of the property assets in the business.

**90% distribution requirement**

The REIT must distribute as property income dividends 90% of the income of its property rental business for the profits of the business to be exempt from tax. There is no requirement for the company to distribute any gains on disposal of properties that are part of the business. The 90% distribution requirement may be satisfied by using stock/share dividends.

**None of the above conditions cause any material issues from a Jersey legal, regulatory or TISE perspective.**

To download the full guide please use the link on the right hand side of this page (or at the bottom if viewing on a mobile device).

Should you require further assistance or professional advice please contact your usual Carey Olsen lawyer or one of the contacts listed on this page.