

# UK Real Estate Investment Trust (UK REIT)

**The UK REIT continues to prove an attractive option for investors looking to target UK-focused property assets.**

## What is a UK REIT?

A UK REIT is a listed closed-ended company, which owns and manages commercial and/or residential property on behalf of its shareholders. There has been increased investor interest in the UK REIT product, given these products tend to provide a secure and stable income stream over a long period of time.

It is a good alternative to other real estate structures given it is tax exempt on its rental income and gains from qualifying property investments, provided that a number of qualifying conditions are met.



## Qualifying conditions to becoming a UK REIT

- Must be a company or group of companies where the parent company is tax resident solely in the UK (but not necessarily registered or incorporated in the UK)
- Must not be an open-ended investment company
- Must distribute 90% of rental profits annually
- At least 75% of profits should be derived from property rental activity
- Must have only one class of ordinary share capital in issue
- The ordinary shares must be listed on the London Stock Exchange or a foreign equivalent (e.g. The International Stock Exchange), or traded on a recognised stock exchange (e.g. AIM)
- Must own at least three single rental properties (these can be commercial or residential) and not involve a property representing more than 40% of the total value of the property rental business
- Must have a profit financing ratio where profits are at least 1.25 times the finance cost and must not be a party to a loan that carries excessive interest or interest dependent on the result of the company's business, or that provides for repayment of an excessive amount
- Must not be a 'close' company (broadly, not under the control of five or fewer investors)

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## Advantages of using a Jersey incorporated UK REIT

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- No stamp duty on the transfer of shares in a Jersey company
- The International Stock Exchange is a flexible, quick and cost effective alternative to a full London Stock Exchange listing, especially where the liquidity of the share trading is less of an issue
- Jersey is home to globally recognised administrators, the Big 4 accountancy firms have large offices on the Island and all of the principal local law firms have specialists with expertise in real estate
- Given the close proximity of the service providers, you are able to carry out business face-to-face and get a reliable opinion quickly
- Jersey's regulatory body, The Jersey Financial Services Commission, is robust yet pragmatic and renowned for being approachable, accessible and encourages face-to-face meetings to discuss new ideas
- The companies law regime in Jersey is both flexible (e.g. distributions on a 12-month cash flow solvency basis) and familiar (being similar to the equivalent UK law)
- Jersey recognises protected and incorporated cell companies, which may be useful for ring-fencing REITS

## Contact us

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For more information on UK REITS, please contact a member of the Jersey Finance team on:

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