

Supporting your journey in the real estate space

Want to continue to invest in real estate assets, have you considered a Channel Islands incorporated UK Real Estate Investment Trust (REIT) product?

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

A UK REIT 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.

Summary of 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 profit 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 a recognised stock exchange (e.g. London Stock Exchange, Channel Islands Securities Exchange, AIM);
- Must own at least three single rental properties (these can be commercial or residential) and not involve a property representing more than 40 per cent of the total value of the property rental business; and
- Must not be 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.

Advantages of a Channel Islands incorporated UK REIT

- No stamp duty payable on the transfer of shares in a Jersey or Guernsey company.
- The Channel Islands Securities 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.
- The Channel Islands are 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.
- The Jersey and Guernsey regulators are robust yet pragmatic and are renowned for being approachable, accessible and encouraging face-to-face meetings to discuss new ideas.
- The companies law regime in both Jersey and Guernsey is both flexible (e.g. distributions on a twelve month cash flow solvency basis) and familiar (being similar to the equivalent UK law).
- Jersey and Guernsey recognise protected and incorporated cell companies which may be useful for ring-fencing REIT.

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