



TaylorWessing

# UK REIT Horizon Scanner Q3 2021

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# Key Issues

**Key issues coming up for UK Main Market REITs in corporate, financial regulatory, planning, real estate, securities law and regulation and tax<sup>1</sup> in England (including retained EU law<sup>2</sup>).**

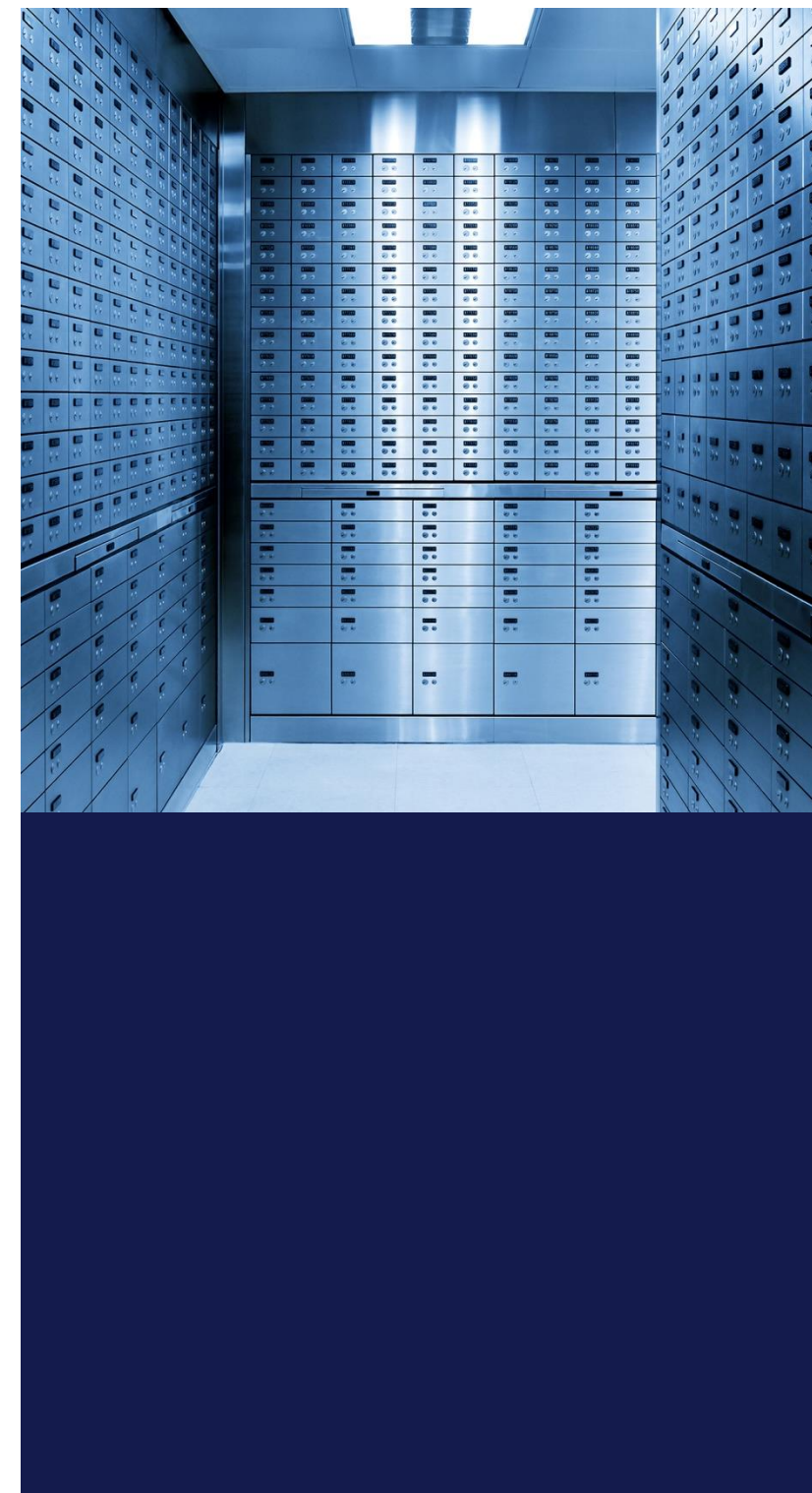
Issue/status/timing: New developments since our March 2021 edition are shown in **green text**.

Impact: urgency/impact rating for REITs admitted to London Stock Exchange Main Market (including the Specialist Fund Segment<sup>3</sup>)

- **Red** – likely to have material impact
- **Amber** – limited impact or await developments
- **Green** – minor or no direct impact

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- <sup>1</sup> We have set out below the proposed tax changes that are likely to directly and materially impact REITs. We have not sought to cover changes of more general application, which may also impact REITs.
- <sup>2</sup> "retained EU law" is EU law incorporated into UK domestic law from the end of the Brexit transition period, as amended
- <sup>3</sup> Although the Listing Rules do not apply to the SFS, it is common for SFS companies voluntarily to comply with certain key Listing Rules and to state an intention to comply with the UK Corporate Governance Code.



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# | 1 | Equity capital markets

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# Equity capital markets

## Key developments in Q2 2021

- FCA is consulting on extension of climate related disclosure rules to standard issuers and on introduction of TCFD-aligned disclosure requirements for asset managers
- Government is consulting on major reforms to the prospectus regime and FCA is consulting on reforms to the listing regime
- FCA is proposing to adopt new disclosure requirement guidance for prospectuses
- Government is consulting on the scope of the new power to block listings on national security grounds

Issues	Status	Key Timing	Impact
<b>Brexit: general legislation</b>  Affects: listed companies	<p>On 30 December 2020, the Trade and Cooperation Agreement (TCA) came into effect. It mainly covers UK/ EU trade in goods and contains very little on financial services, where much of the no-deal Brexit planning businesses have been doing is still needed.</p> <p>Alongside the TCA was a non-binding joint declaration on financial services regulatory cooperation. It contained a commitment for the UK and EU to agree a Memorandum of Understanding by March 2021 on the framework for cooperation in areas such as equivalence (<b>agreed but not yet signed</b>). As things currently stand, FCA approved prospectuses cannot be passported into the EU/ EEA, so approval by a relevant competent authority is required for offers into those countries if applicable exemptions are not available.</p>	Ongoing	<b>Amber</b>
<b>COVID-19: Glass Lewis executive remuneration guidance</b>  Affects: listed companies	<p>On 22 January 2021, Glass Lewis published <a href="#">guidance</a> on executive compensation during the pandemic. It covers dividend policies, impacted share prices, employee actions (layoffs, furloughs or salary cuts) and stakeholder perspectives. It expects board decisions on 2020/21 executive remuneration to reflect overall lower pay outcomes compared with the previous year for companies affected by the pandemic.</p>	2020/ 2021	<b>Green</b>

# Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p><b>COVID-19: guidance on 2021 AGMs and other meetings</b></p> <p>Affects: listed companies</p>	<p>The temporary measures on AGMs and other general meetings contained in the <a href="#">Corporate Governance and Insolvency Act 2020 (CIGA)</a> and regulations made under it expired on 30 March 2021.</p> <p>On 29 March 2021, the <a href="#">Health Protection (Coronavirus, Restrictions) (Steps) (England) Regulations 2021</a> (Step Regulations) came into force. <a href="#">Step 3 restrictions have applied in England since 17 May 2021</a> and permit certain physical gatherings including those "reasonably necessary for work purposes". It is unclear if this includes shareholder meetings. See further "General Corporate" below.</p> <p>On 24 February 2021, the Chartered Governance Institute, City of London Law Society (CLLS) and Martin Moore QC published <a href="#">guidance</a> on AGMs and other meetings after 30 March 2021 (available to members and free subscribers to the Institute's website). Key points are:</p> <ul style="list-style-type: none"> <li>• The guidance predated the Step Regulations but considers that, based on the government's 22 February 2021 roadmap, general meetings <a href="#">would have had to be held on a closed basis until at least 17 May 2021, and possibly until at least 21 June 2021 (which was the provisional date for the removal of all legal limits on social contact, but which has been extended until 19 July 2021)</a>. Among other things, it covers how a quorate meeting may be held where shareholders are not able to attend (for example, attendance of a director and secretary whose presence is "reasonably necessary for work purposes"). Companies cannot exclude or limit shareholder numbers, but can strongly recommend non-attendance.</li> <li>• Meetings need to be reactive to changing situations and restrictions, and social distancing/ venue capacity planning will be needed. Any changes to meeting format should be announced via the company's website or an RIS.</li> <li>• Hybrid meetings are permitted if there is nothing in a company's articles preventing them (even if not expressly permitted). However, specific provisions should be included in the articles to ensure the meeting procedure is clear.</li> <li>• Shareholders should be offered as much electronic engagement as possible to encourage engagement despite physical absence.</li> <li>• It contains good practice recommendations and sample pandemic wording for AGM circulars.</li> </ul> <p>In February 2021, the AIC published guidance on holding AGMs after 30 March 2021 (available to members on its website).</p>	During the pandemic	Amber

# Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<b>COVID-19: FCA and FRC joint statement on temporary reliefs</b>  Affects: listed companies	<p>On 27 January 2021, the FCA and FRC published a <a href="#">joint statement</a> reminding listed companies of continuing temporary reliefs including:</p> <ul style="list-style-type: none"> <li>An additional two months to publish annual financial reports (within six rather than four months of FYE) and an additional one month to publish half yearly financial reports (within four rather than three months of FYE) – this remains in place until the disruption abates and at least for financial periods ending before April 2021.</li> <li>The three month extension for filing accounts with Companies House <b>expired on 5 April, however an application process now applies</b>. See also "General Corporate" below.</li> <li>A reminder of MAR disclosure obligations and continuing assessment of what constitutes inside information in light of the pandemic.</li> </ul> <p>At the same time the FCA updated its <a href="#">Q&amp;A</a> on delaying annual company accounts and half yearly financial reports during the pandemic.</p>	During the pandemic	<b>Amber</b>
<b>ESG: new mandatory climate-change reporting</b>  Affects: premium listed companies	<p>On 21 December 2020, the FCA <a href="#">announced</a> new Listing Rules requirements for premium listed companies to report against the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures' (TCFD) recommendations. Changes were implemented by <a href="#">FCA Instrument 2020/75</a>, take effect for accounting periods beginning on or after 1 January 2021 and include (among other things):</p> <ul style="list-style-type: none"> <li>A statement in the annual financial reports of premium listed commercial companies on whether disclosures are consistent with the TCFD recommendations; if not or if the disclosures are in a different document, why not or where the disclosures can be found.</li> <li>An overriding principle to consider whether disclosures give sufficient detail to enable readers to assess the company's exposure and approach to climate related issues.</li> <li>An expectation of disclosure except where the company faces "transitional challenges in obtaining relevant data or embedding relevant modelling or analytical capabilities".</li> </ul> <p>This is particularly relevant to asset managers as supplementary TCFD guidance sets certain expectations regarding disclosures to clients. See "General Corporate" below for proposals for mandatory TCFD reporting affecting a wider range of organisations.</p> <p>At the same time a new <a href="#">Technical Note</a> on ESG reporting took effect, covering disclosures under the Listing Rules, DTRs, UK MAR and the UK Prospectus Regulation. Key points are:</p> <ul style="list-style-type: none"> <li>It flags specific obligations to comply or explain against the Corporate Governance Code and TCFD recommendations.</li> <li>Guidance on including ESG and climate related matters in prospectuses to.</li> <li>Guidance on what ESG and climate related information to include in annual and interim management reports.</li> </ul> <p>The FRC Financial Reporting Lab's March 2021 <a href="#">newsletter</a> states that the Lab will examine 2021 disclosures by listed companies against the TCFD recommendations.</p>	Financial years beginning on or after 1 January 2021	<b>Amber</b>



# Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<b>ESG: extension of climate related disclosure rules to standard issuers</b>  Affects: standard listed companies	<p>On 22 June 2021, the FCA published a <a href="#">consultation</a> on proposals to extend the climate-related disclosure requirements, which currently only apply to premium listed issuers, to issuers of standard listed equity shares. This excludes standard listed investment entities and shell companies. The consultation closes on 10 September 2021, and the FCA aims to publish a policy statement and finalised Listing Rules on climate-related disclosures by the end of 2021, with the changes taking effect for accounting periods beginning on or after 1 January 2022.</p> <p>On the same day, the FCA published a further <a href="#">consultation</a> on proposals to introduce TCFD-aligned disclosure requirements for asset managers, life insurers, and FCA-regulated pension providers, with a focus on the information needs of clients and consumers. See further "Financial Regulatory" below.</p>	End of 2021	Amber
<b>ESG: Parker Review on ethnic diversity on boards</b>  Affects: FTSE 350	<p>The recommendations of the Parker Review Committee <a href="#">final report</a> into ethnic diversity of UK boards included a target for at least one director of colour on each FTSE 100 board by 2021 and each FTSE 250 board by 2024. Mechanisms to identify, develop and promote people of colour were encouraged, to ensure a pipeline of board capable candidates and that their managerial and executive ranks appropriately reflect the importance of diversity to their organisation. Voluntary adoption of the measures was recommended but a mandatory basis may be endorsed if there is insufficient progress.</p> <p>The Committee's 12 March 2021 update <a href="#">report</a> and <a href="#">annex</a> shows that approximately 75% have met the target. FTSE 250 companies will be surveyed by the end of 2021.</p>	2021 and 2024	Amber
<b>European Single Electronic Format (ESEF) reporting</b>  Affects: Main Market and Specialist Funds Segment	<p>The Transparency Directive and DTR 4.1.14R require that all annual reports for companies on a UK regulated market such as the Main Market be in single electronic reporting format (using XHTML), for financial years beginning on or after 1 January 2020.</p> <p>On 5 November 2020, the FCA <a href="#">confirmed</a> postponement of requirements for publishing in XHTML format and tagging to financial years starting on or after 1 January 2021, for publication from 1 January 2022 (and financial years starting on or after 1 January 2023, for publication from 1 January 2024, for requirements around tagging notes to the financial statements). Issuers can publish and file reports in ESEF format voluntarily in the meantime.</p> <p>For more background information, see previous editions of the REIT Horizon Scanner.</p>	Financial years beginning on or after 1 January 2021 (for publication from 1 January 2022)	Amber



# Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<b>Financial Services Act 2021</b>  Affects: listed companies	<p>On 29 April 2021, the Financial Services Bill received Royal Assent and became the Financial Services Act 2021. It makes various amendments to UK legislation including:</p> <ul style="list-style-type: none"> <li>• <b>Clarifying</b> that both issuers and those acting on their behalf must keep insider lists (issuers would no longer be able to 'delegate' the task to professional advisers).</li> <li>• <b>Amending</b> the period within which an issuer must notify the market of a PDMR transaction to two working days from the date the issuer is notified (from three business days from the transaction date).</li> <li>• <b>Increasing</b> maximum penalties for criminal insider dealing and misleading statements (under the Criminal Justice Act 1993 and Financial Services Act 2012 respectively) to 10 years' imprisonment (from seven years).</li> </ul>	Ongoing	Amber
<b>Investment Association 2021 shareholder priorities</b>  Affects: listed companies	<p>On 18 January 2021, the IA published a <a href="#">paper</a> on its 2021 shareholder priorities for listed companies. It looks at the approach IVIS will take to assess companies with year ends on or after 31 December 2020 against investor expectations for 2021. Among other things:</p> <ul style="list-style-type: none"> <li>• Climate change - IVIS will amber top companies in a "high-risk sector" (financials, energy, transportation, materials and buildings, agriculture, food and forest products, airlines, and travel and tourism) that do not address all four pillars of the TCFD recommendations.</li> <li>• Stakeholder engagement - IVIS expects quality disclosures on engaging, communicating and supporting stakeholders during the pandemic, including how the board reflected stakeholder views in key decision making.</li> <li>• Diversity - IVIS will amber top FTSE 350 companies that do not disclose their board's ethnic diversity or the credible action plan they have in place. It will red top FTSE 350 companies and amber top FTSE SmallCap companies where female board representation is 30% or less or where female representation on executive committees/ those committee's direct reports is 25% or less.</li> </ul> <p>In February 2021, the IA also published its <a href="#">Good Stewardship Guide 2021</a>.</p>	2021	Amber

# Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p><b>Consultation on reforms to UK prospectus and listing regimes</b></p> <p>Affects: listed companies</p>	<p>Following Lord Hill's UK Listing Review <a href="#">report</a> which was published on 3 March 2021, the following consultations on the UK prospectus and listing regimes have been published.</p> <p>On 1 July 2021, the government published a <a href="#">consultation</a> on proposed reforms to the prospectus regime which closes on 17 September 2021. Key proposals include:</p> <ul style="list-style-type: none"> <li>• Separating out the regulation of public offers of securities and the regulation of admissions to a regulated market.</li> <li>• New rule-making powers for the FCA, including granting it discretion to incorporate a replacement prospectus regime into the FCA Handbook and to tailor the regime appropriately when required. This would include granting the FCA discretion to determine whether a prospectus is required when securities are admitted to trading on UK Regulated Markets.</li> <li>• Adding a new exemption from the public offer rules for existing holders of securities which would have the effect of taking all rights issues, by all types of companies, outside of the restrictions imposed by the public offering rules.</li> <li>• Retaining the 150 person threshold for public offers of securities and the "qualified investors" exemption.</li> </ul> <p>On 5 July 2021, the FCA published a <a href="#">consultation and related discussion paper</a> on proposed reforms to listing regime. The consultation closes on 24 September 2021, and the FCA aims to make the relevant rules before the end of 2021. Key proposals include:</p> <ul style="list-style-type: none"> <li>• A targeted form of dual class share structures (shares of different classes carrying different rights, e.g. zero or weighted voting rights), within the premium listing segment.</li> <li>• A reduced 10% (from 25%) public free float requirement.</li> <li>• An increase in the minimum market capitalisation (MMC) threshold for both the premium and standard listing segments for shares in ordinary commercial companies from £700,000 to £50 million. Raising the MMC will give investors greater trust and clarity about the types of company with shares admitted to different markets.</li> </ul> <p>Also, on 30 April 2021, the FCA published a <a href="#">consultation</a> on proposed Listing Rule amendments in relation to SPACs (special purpose acquisition companies). The proposals include removing the presumption that the FCA will suspend the listing of a SPAC on identification of a potential acquisition target where the SPAC meets certain criteria (which include both structural features and disclosures). The consultation closed on 28 May 2021.</p>	Ongoing/Late 2021	Red

# Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<b>Corporate governance consultations</b>  Affects: listed companies	<p>On 20 January 2021, the Chartered Governance Institute published the <a href="#">findings</a> of its review and <a href="#">report</a> on the effectiveness of independent board evaluation in the UK listed sector (following its 2019 <a href="#">consultation</a>). Recommendations include (among other things):</p> <ul style="list-style-type: none"> <li>• a voluntary code of practice (on an "apply or explain" basis) for providers of performance reviews to FTSE 350 companies;</li> <li>• a set of voluntary good practice principles for listed companies on selecting external reviewers and how reviews will be carried out;</li> <li>• guidance for listed companies reporting on annual board performance under requirements of the UK Corporate Governance Code; and</li> <li>• assessment by the FRC of board performance review practice and reporting as part of its UK Corporate Governance Code monitoring.</li> </ul> <p>The Institute has published drafts of the <a href="#">Code of Practice</a> for board reviewers, <a href="#">Principles of Good Practice</a> for listed companies and <a href="#">Guidance on Reporting on Board Performance Reviews</a> under the UK Corporate Governance Code. A government response is awaited.</p> <p>In 2019, the Investment Association <a href="#">reported</a> on shareholder votes on dividend distributions in listed companies. It will establish a working group to develop best practice guidance on distribution policies and make recommendations to government on whether a shareholder vote on such policy and/or on yearly distributions should be mandatory. An update is awaited.</p>	Ongoing	Amber
<b>Consultation on power to block listings on national security grounds</b>  Affects: potentially all companies seeking to list on UK public markets including SPACs	<p>On 7 June 2021, the government published an initial <a href="#">consultation</a> on the scope of a proposed new power to allow it to block a company's listings on national security grounds. While the government intends that new power will be targeted and precautionary, and therefore not affect the vast majority of companies seeking to raise capital on UK financial markets, the scope of the precautionary power will include all initial equity listings and admissions to trading on UK public markets and will extend to SPACs.</p> <p>The government intends that there will be minimal additional action required from prospective issuers and the proposed approach is based on companies making certain additional disclosures which are likely to already be made elsewhere in the listings process. The government is also considering an early disclosure option for those companies seeking assurance before they choose to list in the UK. The consultation closes on 27 August 2021, and precedes further technical consultation and legislation on the proposed power.</p>	27 August 2021	Amber

# Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p><b>FCA to adapt ESMA guidelines on disclosure requirements under the Prospectus Regulation into Technical Note</b></p> <p>Affects: listed property companies</p>	<p>On 24 June 2021, the FCA published <a href="#">Primary Market Bulletin 34</a> (PMB 34) in which it proposes to adopt (with modifications) the European Securities and Markets Authority's <a href="#">guidance</a> on disclosure requirements under the EU Prospectus Regulation (ESMA Guidelines) and to include the specialist issuer measures set out in the recommendations published by the Committee of European Securities Regulators (CESR Recommendations) – see background below. "Specialist issuer" includes property companies, mineral companies, scientific research-based companies, start-up companies and shipping companies. The FCA will adapt the ESMA Guidelines and the measures on specialist issuers from the CESR Recommendations as FCA guidance by way of a proposed new Technical Note: <a href="#">Primary Market/TN/619.1</a>. Comments on this (and other changes to the FCA's Knowledge Base) are requested by 4 August 2021.</p> <p>The modified ESMA Guidelines broadly follow the EU version, but the FCA proposes to make the following notable amendments:</p> <ul style="list-style-type: none"> <li>Pro forma financial information. The FCA will not adopt ESMA's position that pro forma information should be provided when an issuer's size has changed by at least 25%, regardless of whether this change took place in one or several transactions, due to its concerns that the aggregation approach imposes a disproportionate burden on issuers with limited additional benefit to investors. The FCA proposes to continue with the existing approach in the <a href="#">ESMA Prospectus Directive Q&amp;A</a> where reaching 25% or more solely through aggregation is generally not caught.</li> <li>Working capital – closed ended investment funds. The FCA is proposing to make an addition to the ESMA guideline on rules for the calculation of working capital to reflect existing UK market practice of relying on minimum net proceeds for the calculation of working capital by new issuers that are closed-ended investment funds.</li> </ul> <p>By way of background, the ESMA Guidelines updated and replaced the CESR Recommendations, as well as previous ESMA guidance on the EU Prospectus Directive (which preceded the EU Prospectus Regulation). The EU Prospectus Regulation was retained in the UK, with amendments, post-Brexit and is known as the UK Prospectus Regulation. However, the ESMA Guidelines do not apply in the UK because they did not come into effect in the EU before the end of the Brexit transition period. As such, the FCA told issuers in <a href="#">Primary Market Bulletin 31</a> to continue to apply the CESR Recommendations and that it would consult, as it is now doing, on its approach to guidelines on prospectus disclosures based largely on the ESMA Guidelines.</p>	Ongoing	Green



# Equity capital markets (continued)

Looking back

Issues	Status	Key Timing	Impact
<b>ESG: Hampton-Alexander Review on gender balance in FTSE leadership</b>  Affects: FTSE 350	<p>On 24 February 2021, the final Hampton-Alexander Review <a href="#">report</a> on gender balance in FTSE leadership was published. The Review originally set a target of 33% female representation on FTSE 350 boards by 2020.</p> <p>The report found that as at 11 January 2021 women held approx. 36% of FTSE 100 board positions and they held approx. 33% of FTSE 250 board positions (but 32 FTSE 100 companies and 139 FTSE 250 companies had not yet achieved the 33% target). Across the FTSE 350, there were only 39 female chairs, 17 female CEOs and 76 female executive directors (being approx. 12% of all FTSE 350 executive directors). 16 FTSE 350 companies still had only one woman on the board (but there are no all-male boards left).</p> <p>New recommendations for 2021 onwards include:</p> <ul style="list-style-type: none"><li>• Best practice that a woman be in at least one of the four roles of chair, CEO, CFO and SID (senior independent director).</li><li>• Publication of a board and executive committee gender pay gap analysis.</li><li>• An annual review by the government, Investment Association and other investor groups of any voting sanctions applied to listed companies that fail to meet gender targets they have set.</li></ul>	2021 onwards	Amber
<b>FRC guidance - Corporate Governance Code</b>  Affects: premium listings	On 26 February 2021, the FRC <a href="#">published</a> guidance on how companies should report against the 2018 UK Corporate Governance Code.	Ongoing	Amber



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## | 2 | General corporate

UK REIT Horizon Scanner Q3 2021

# General corporate

## Key developments in Q2 2021

- Temporary extension of filing deadlines for various documents, and the suspension of liability for wrongful trading and restrictions on presenting winding-up orders, under the Corporate Insolvency and Governance Act 2020 have ended
- HMRC confirmed that the COVID-19 temporary electronic stamping procedures are now permanent
- Bill extending the dormant assets scheme extended to wider range of financial assets introduced in the House of Lords

Issues	Status	Key Timing	Impact
<b>COVID-19: Corporate Insolvency and Governance Act - meetings</b>  Affects: all companies	<p>The temporary measures on AGMs and other general meetings contained in the <a href="#">Corporate Governance and Insolvency Act 2020</a> (CIGA) and regulations made thereunder expired on 30 March 2021.</p> <p>On 29 March 2021, the <a href="#">Health Protection (Coronavirus, Restrictions) (Steps) (England) Regulations 2021</a> (Step Regulations) came into force. They implement steps 1-3 of the government's roadmap for easing restrictions in England. <a href="#">Step 3 restrictions have applied in England since 17 May 2021</a> and permit certain physical gatherings including those "reasonably necessary for work purposes". It is unclear if this includes shareholder meetings; if not, they need to be held on a closed basis.</p> <p>The <a href="#">guidance</a> published by the Chartered Governance Institute, City of London Law Society (CLLS) and Martin Moore QC on 24 February 2021 predated the Step Regulations but considers that, based on the government's 22 February 2021 roadmap, general meetings <a href="#">would have had to be held on a closed basis until at least 17 May 2021, and possibly until at least 21 June 2021 (which was the provisional date for the removal of all legal limits on social contact, but which has been extended until 19 July 2021)</a>. Among other things, the guidance considers how a quorate meeting may be held where shareholders are not able to attend (for example, the attendance of a director and secretary whose presence is "reasonably necessary for work purposes"). See further "Equity Capital Markets" above.</p>	During the pandemic	<b>Amber</b>

# General corporate (continued)

Issues	Status	Key Timing	Impact
<b>COVID-19: Corporate Insolvency and Governance Act - filing deadlines</b>  Affects: all companies	On 5 April 2021, the temporary extension of filing deadlines for various documents under CIGA ended. Since then, regular deadlines under relevant legislation have applied (for example in relation to the confirmation statement and other event-driven filings), with an application process for a three month extension for filing annual accounts where the pandemic is cited as a factor affecting timely completion and/or audit of accounts. Companies that already extended their accounts deadline may not be eligible as the law only allows a maximum filing period of 12 months.	During the pandemic	Amber
<b>COVID-19: Corporate Insolvency and Governance Act - other measures</b>  Affects: all companies	On 30 June 2021, CIGA's suspension of liability for wrongful trading and restrictions on presenting winding-up orders ended.  On 8 March 2021, Companies House <a href="#">resumed</a> voluntary and compulsory strike-off activity.  On 23 February 2021, the Equality and Human Rights Commission <a href="#">confirmed</a> that organisations have an additional six months to publish 2020-21 gender pay gap metrics (it will wait until 5 October 2021 before taking enforcement action for any non-compliance).  See previous editions of our REIT Horizon Scanner for more information about the temporary measures.	During the pandemic	Amber
<b>COVID-19: GC100 consultation on hybrid and virtual meetings</b>  Affects: potentially all companies	On 28 January 2021, GC100 published a <a href="#">paper</a> proposing legislative changes to the current format for AGMs, following events during the pandemic. Although focused on AGMs and listed companies, many of the recommendations would apply to other shareholder meetings and any reforms made would likely need to be reflected in company law more generally.  The paper recommends amending the Companies Act 2006 to expressly permit virtual meetings to provide more certainty around the validity of hybrid and virtual meetings. It also includes a draft code of best practice on hybrid and virtual shareholder meetings which includes (among other things) pro forma wording for proposals to amend articles of association to allow hybrid and virtual meetings and to postpone them for technical reasons. GC100 intends to work on the draft code with government, the FRC and investor bodies.	Ongoing	Amber



# General corporate (continued)

Issues	Status	Key Timing	Impact
<b>ESG: mandatory climate-change reporting</b>  Affects: large companies, listed companies and asset managers	<p>On 24 March 2021, the government published a <a href="#">consultation</a> on its November 2020 <a href="#">proposals</a> to expand mandatory reporting against the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations to a wider scope of UK listed companies (beyond premium listings), large unlisted UK companies and UK asset managers. See also "Equity Capital Markets" above. Key aspects are:</p> <ul style="list-style-type: none"> <li>• The requirements would apply to all UK companies (and LLPs) currently required to produce a non-financial information statement – i.e. companies with more than 500 employees and that are either listed on a UK regulated market, are a banking or insurance company, are listed on AIM or potentially other multilateral trading facilities, or otherwise have a turnover exceeding £500m.</li> <li>• Disclosures would be made in the non-financial information statement of the strategic report. Reporting would be at group and individual level. The consultation details the specific disclosures required.</li> </ul> <p>The consultation <a href="#">closed</a> on 5 May 2021. The government intends to make regulations by the end of 2021, with the new reporting requirement applicable for accounting periods starting on or after 6 April 2022. BEIS also plans to produce non-binding Q&amp;A guidance.</p>	End of 2021 and 6 April 2022	Amber
<b>ESG: Modern slavery: human trafficking statement</b>  Affects: large companies	<p>The government intends to make changes to the Modern Slavery Act 2015 in due course that will make it mandatory for organisations to publish their statements on <a href="#">its designated central registry</a>.</p> <p>Other measures following the Home Office's 2019 <a href="#">consultation</a> on making transparency requirements and reporting processes clearer, and its September 2020 <a href="#">response</a>, are awaited.</p> <p>On 20 April 2020, the Home Office <a href="#">announced</a> that publication of a statement can be delayed by up to six months if the delay is caused by the pandemic (taking the period to 12 months in total as organisations are required to publish within six months of financial year end).</p>	Ongoing	Amber
<b>ESG: Gender and ethnicity pay reporting</b>  Affects: UK employers with 100 or more employees	<p>The Government Equalities Office's 2019 <a href="#">roadmap</a> for tackling gender equality included assessing the effectiveness of gender pay gap reporting and consulting on any changes by 2021.</p> <p>A 2018 <a href="#">consultation</a> suggested introducing an ethnicity pay gap reporting regime. In its 14 July 2020 <a href="#">response</a> to BEIS Committee's recommendations following the Thomas Cook inquiry, the government noted it would respond to the 2018 consultation in due course, and noted it supports initiatives for board diversity and leadership talent pipeline such as the Hampton-Alexander Review and Parker Review.</p> <p>The <a href="#">Equal Pay Bill</a> (a private members' bill) is still making its way through Parliament. Among other things, it widens gender pay gap reporting to include ethnicity pay gap reporting and lowers the reporting threshold to organisations with 100 or more employees (from 250).</p>	Ongoing	Amber

# General corporate (continued)

Issues	Status	Key Timing	Impact
<p><b>Consultation on audit and corporate governance reform</b></p> <p>Affects: all companies</p>	<p>On 18 March 2021, BEIS published a consultation <a href="#">paper</a> on restoring trust in audit and corporate governance. It follows on from the recommendations of several independent reviews (including the <a href="#">Kingman</a>, <a href="#">Brydon</a> and <a href="#">CMA</a> reviews), BEIS' 2019 audit <a href="#">report</a> recommendations and major collapses such as Thomas Cook, Carillion and BHS. Key proposals include:</p> <ul style="list-style-type: none"> <li>• Giving the new regulator the Audit, Reporting and Governance Authority (ARGA) (among other things) new statutory objectives and functions, competition powers, an increased corporate reporting review function, oversight of FTSE 350 audit committees, enforcement powers for corporate reporting duties of directors, and a new power to order amendments to company reports directly rather than requiring a court order.</li> <li>• For directors: <ul style="list-style-type: none"> <li>• New duties relating to internal controls, risk management and reporting on anti-fraud measures.</li> <li>• Clawback of bonuses in the event of collapse or for serious director failings within two years of the award.</li> <li>• Enhanced ARGA powers to investigate and enforce breaches of duty and misconduct relating to corporate reporting and audit.</li> </ul> </li> <li>• Stronger disclosure and attestation requirements for listed companies relating to dividends and capital maintenance, including: <ul style="list-style-type: none"> <li>• ARGA will have responsibility for defining "realised profits" and "realised losses".</li> <li>• Enhanced legal status and enforceability of the distributable profits definition in section 853 of the Companies Act 2006.</li> <li>• A requirement for companies to disclose total distributable reserves (or the "known" distributable reserve, which must be greater than any proposed dividend).</li> <li>• A requirement on parent companies to disclose the group's potential distributable profits that could in theory be passed to it to pay future dividends to shareholders.</li> <li>• A requirement for a formal directors statement that any proposed dividend is within known distributable reserves and that payment of the dividend will not, in their reasonable expectation, threaten the company's solvency over the next two years.</li> </ul> </li> <li>• New requirements for premium listed companies to publish (with the requirements extending to other PIEs two years later): <ol style="list-style-type: none"> <li>1. An annual audit and assurance policy describing the approach taken to seeking assurance of the company's reported information over the next three years and on which shareholders of quoted public listed entities would give an advisory vote.</li> <li>2. An annual resilience statement on mitigation of risk, consolidating and building on existing going concern and viability statements.</li> </ol> </li> </ul> <p>Other proposals relating to auditors and the audit market are outside the scope of this scanner. The consultation closes on 8 July 2021.</p>	8 July 2021	Amber

# General corporate (continued)

Issues	Status	Key Timing	Impact
<b>Law Commission law reform programme for 2021</b>  Affects: all companies	<p>On 24 March 2021, the Law Commission published a <a href="#">consultation</a> on its 14th programme of law reform. The consultation closes on 31 July 2021 and the final programme will be published in H1 2022. Specific ideas for law reform include (among other things):</p> <ul style="list-style-type: none"> <li>• Modernising the law of deeds for commercial parties whilst still protecting vulnerable individuals, including assessing current electronic and paper execution requirements and understanding difficulties in executing deeds particularly in the context of the pandemic.</li> <li>• Reviewing areas of legislation most affected by Brexit and potentially reforming certain areas of retained EU law.</li> </ul>	2022	Green
<b>Corporate transparency - Companies House reform</b>  Affects: all companies	<p>On 18 September 2020, the government <a href="#">responded</a> to the consultation on enhancing Companies House and increasing transparency of UK corporate entities. Proposals include (among other things):</p> <ul style="list-style-type: none"> <li>• compulsory identity verification for all directors and PSCs, general partners in limited partnerships, designated members in LLPs, and individuals who file company information, and restrictions on who can file company information;</li> <li>• increased Companies House powers to query and remove/ reject certain information and company names;</li> <li>• reporting obligations for bodies subject to anti-money laundering regulations on discrepancies between the public register and information they hold, and cross-referencing of Companies House data against other data sets;</li> <li>• reviewing accounts filings, including exemptions allowing micro or dormant accounts; and reforming certificates of good standing.</li> </ul>	Ongoing	Amber
<b>Consultation on reform of the public register and company's registers</b>  Affects: all companies	<p>Between 9 December 2020 and 3 February 2021, the government <a href="#">consulted</a> on proposed reforms to the public register of companies and companies' own registers. A response is awaited. Among other things:</p> <ul style="list-style-type: none"> <li>• It is proposed to expand Companies House's powers to be able to query any error, inaccuracy or anomaly that appears fraudulent, suspicious or that might impact significantly on the register's integrity and the UK's "business environment" (including where there is a risk to the UK's reputation as a good place to do business). <ul style="list-style-type: none"> <li>• This would cover new submissions and also information in documents already registered where, in the absence of a satisfactory response, offending material can be removed from the public register (in some cases this would continue to require a court order).</li> <li>• A company name could be rejected if Companies House believes it has been chosen to mask underlying criminal or fraudulent activity. An existing company could be told to change its name or have it forcibly changed.</li> </ul> </li> <li>• It is proposed to abolish the requirement for a company to maintain a register of directors (using the public record as proof instead). The consultation also seeks views on requirements for companies to keep other statutory registers (but notes that existing requirements around the register of members would be unlikely to change).</li> </ul>	Ongoing	Amber

# General corporate (continued)

Issues	Status	Key Timing	Impact
<b>Consultation on corporate directors ban</b>  Affects: companies with corporate directors	<p>Between 9 December 2020 and 3 February 2021, the government <a href="#">consulted</a> on implementing the corporate directors ban. The ban is contained in the Small Business, Enterprise and Employment Act 2015, which made prospective changes to the Companies Act 2006 but is not yet in force. The consultation focuses on the exceptions to the ban (these were also previously consulted on by past administrations in 2014 and 2015). A response is awaited.</p> <p>The ban will mean that only natural persons can be directors of UK companies, subject to exceptions (although at least one director would still be required to be a natural person). An attempt to appoint a corporate director will be void and an offence committed by the attempting appointer, proposed appointee and each of their respective directors in default. Companies with existing corporate directors will have 12 months after the ban comes into effect to remove them. Any remaining in office thereafter will cease to hold office.</p> <p>The consultation proposes an exception whereby a corporate entity could be a director if:</p> <ul style="list-style-type: none"> <li>• all of its own directors are natural persons (and any attempt to appoint a corporate director would be void); and</li> <li>• those natural persons verify their identity with Companies House before the appointment.</li> </ul> <p>Where a UK company proposes to appoint an overseas entity as a director, it would be required to assure itself that the overseas entity's directors are all natural persons and confirm that annually in its confirmation statement. Only limited companies would be able to act as corporate directors, but the consultation seeks views on whether limited liability partnerships and limited partnerships should also be included and what conditions should attach to them.</p>	Ongoing	Amber
<b>Consultation on improving the quality of company accounts</b>  Affects: all companies	<p>Between 9 December 2020 and 3 February 2021, the government <a href="#">consulted</a> on improving the 'quality and value' of financial information kept at Companies House. A response is awaited. Proposals include:</p> <ul style="list-style-type: none"> <li>• Requiring digital filing of all company accounts.</li> <li>• Requiring full tagging of company accounts using iXBRL (already mandatory for accounts filed with HMRC).</li> <li>• Shortening deadlines for filing accounts and reports with Companies House, e.g. to six and three months for private and public companies respectively.</li> <li>• Requiring accounts to include metrics on turnover, balance sheet size and number of employees to show that a company is large, medium, small or micro, and for director certification of eligibility to file in the size category being claimed.</li> <li>• Simplifying the small and micro regimes.</li> <li>• Requiring companies to file the most detailed version of any accounts they prepare with all relevant bodies.</li> <li>• Views on how financial information could be shown at Companies House in a more accessible way.</li> </ul>	Ongoing	Amber



# General corporate (continued)

Issues	Status	Key Timing	Impact
<b>FRC proposal for principles-based corporate reporting</b>  Affects: all companies	<p>Between 8 October 2020 and 5 February 2021, the FRC <a href="#">consulted</a> on proposals to replace the current corporate reporting system with a principles based framework. A response is awaited.</p> <ol style="list-style-type: none"> <li>It is proposed that the annual report be unbundled into separate "network reports" forming a "reporting network" (to align with the Kingman and Brydon recommendations) including: <ul style="list-style-type: none"> <li>Three core mandatory reports: the company's financial statements; a stakeholder-neutral Business Report (based on the strategic report); and a Public Interest Report (covering impact on stakeholders and the environment).</li> <li>Additional stand-alone financial and non-financial reports that provide detail for specific purposes (e.g. investor presentations, half-year reports and divisional financial statements).</li> </ul> </li> <li>It is proposed that future corporate reporting be based around a set of overarching principles including: <ul style="list-style-type: none"> <li>Four system-level attributes at the top level - that company reports are accessible, inter-connected, consistent and transparent.</li> <li>Two report-level attributes thereafter - that individual reports be fair, balanced, understandable and show a true and fair view.</li> <li>Four content communication principles - that each report be brief, comprehensive and useful; contain only relevant information; contain company-specific information and avoid boilerplate; and be comparable against historic and other companies' reports.</li> </ul> </li> <li>The consultation supports greater use of technology in presenting information, including: <ul style="list-style-type: none"> <li>Digitally producing all reporting content (including HTML, videos and presentation software).</li> <li>Tagging information and content with machine-readable tags.</li> <li>Instead of meeting specific information disclosure requirements, companies would report on compliance with/ departure from a set of principles (similar in concept to listed company compliance with the Corporate Governance Code).</li> </ul> </li> </ol> <p>In February 2021, the FRC's Financial Reporting Lab <a href="#">reported</a> on how virtual and augmented reality technologies could be used to expand the scope of, and audience for, corporate reporting.</p>	Ongoing	Amber
<b>Late payment practices</b>  Affects: large companies	<p>An update is awaited on the government's plan for a new requirement for audit committees to review and report on payment practices in annual accounts (outlined in BEIS' 2019 <a href="#">response</a> to its 2018 call for evidence on tackling late payment).</p> <p>On 19 January 2021, the government <a href="#">announced</a> that it intends to reform the voluntary Prompt Payment Code to encourage large companies to pay smaller suppliers in time. It will ask finance directors and CEOs to take personal responsibility by signing the Code.</p>	Ongoing	Green

# General corporate (continued)

Issues	Status	Key Timing	Impact
<b>Register of beneficial owners of overseas entities that own UK property</b>  Affects: non-UK companies (and their investors)	<p>Legislation for the new register of beneficial owners of overseas entities that own UK property is still in draft form: the <a href="#">Registration of Overseas Entities Bill</a>. The government had originally anticipated that, following Royal Assent and secondary legislation, the register would be operational in 2021. As update is awaited. (This could affect non-UK subsidiaries in REIT groups.)</p> <p>On 8 February 2021, the House of Commons Library published a <a href="#">briefing</a> on UK and international registers of beneficial ownership that includes (among other things) a summary of what it terms the new proposed 'Overseas Entity Beneficial Ownership' (OEBO) regime.</p>	Ongoing	Amber
<b>Consultation on non-compete clauses</b>  Affects: UK employers and employees	<p>Between 4 December 2020 and 26 February 2021, the government <a href="#">consulted</a> on reforming the law on non-compete clauses in employment contracts. It aims to give employees more freedom and flexibility to drive economic recovery, and ensure fair settlement where restrictions apply. A response is awaited. Two options are proposed:</p> <ol style="list-style-type: none"> <li>1. Mandatory compensation, where the non-compete would be enforceable only if the employer provides some form of compensation during the non-compete period (some do this already or use "garden leave" clauses). <ul style="list-style-type: none"> <li>• Additional measures are proposed, including a requirement to disclose the terms of the non-compete before the individual becomes an employee and imposing a maximum limit on the duration of non-competes.</li> </ul> </li> <li>2. An outright ban, possibly subject to exceptions.</li> </ol> <p>The consultation also asks whether limits should be applied to other kinds of restrictive covenant such as non-solicitation, non-dealing and protection of goodwill clauses.</p>	Ongoing	Amber
<b>Asset Management Taskforce stewardship recommendations</b>	<p>On 24 November 2020, the Asset Management Taskforce (AMT) published a <a href="#">report</a> of 20 recommendations to improve UK stewardship and responsible investment, covering corporate governance, corporate reporting and shareholder engagement. The recommendations cover all asset classes, including real estate and infrastructure. In particular:</p> <ul style="list-style-type: none"> <li>• The FRC's Stewardship Code is the standard for company stewardship and investment managers should sign up to it.</li> <li>• Shareholders should be more proactive in requisitioning resolutions on issues and should develop model resolutions for key concerns like climate change.</li> <li>• The threshold for requisitioning shareholder resolutions (100 or more shareholders holding on average £100 of paid-up capital, or shareholders holding at least 5% of the relevant voting rights) should be reviewed by government in case it is a barrier to stewardship.</li> <li>• Investors should set out clear expectations of companies after the pandemic, especially those seeking additional investor capital.</li> <li>• Greater shareholder participation in AGMs should continue to be prioritised, including through use of technology.</li> </ul> <p>The AMT is a government initiative backed by the Investment Association comprising representatives from central government, regulators, investor associations and institutional shareholders.</p>	Ongoing	Green

# General corporate (continued)

Issues	Status	Key Timing	Impact
<b>Temporary electronic stamping procedures now permanent</b>  Affects: all companies with shares	On 30 April 2021, HMRC updated its <a href="#">guidance</a> on completing stock transfer forms to confirm that the temporary electronic stamping procedures put in place in response to the COVID-19 pandemic are now permanent. Stock transfer forms stamped under the new procedures are confirmed to be "duly stamped".	Ongoing	Green
<b>Dormant Assets scheme extended to wider range of financial assets</b>  Affects: potentially traded public companies and collective investment schemes	On 12 May 2021, the <a href="#">Dormant Assets Bill</a> was introduced in the House of Lords. The Bill looks to extend the scheme established by the Dormant Bank and Building Society Accounts Act 2008 that distributes dormant assets from bank and building society accounts to good causes, while retaining funds to meet any future claims on them, to a range of other financial assets including collective investment schemes and proceeds or distributions from shares in traded public companies. Each financial asset would have its own definition of dormancy attached to it. Participation would be voluntary.	Ongoing	Green



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## | 3 | Financial regulatory

UK REIT Horizon Scanner Q3 2021



# Financial regulatory

## Key developments in Q2 2021

- FCA consults on TCFD-aligned climate related disclosure requirements
- FCA publishes further policy documents on its new prudential regime for investment firms
- Developments relating to the Taxonomy Regulation and the Regulation on cross-border distribution of investment funds
- FCA publishes list of MoUs and other agreements with overseas regulators
- Regulators publish discussion paper on diversity and inclusion in the financial sector

Issues	Status	Key Timing	Impact
<b>FCA consultation paper on TCFD-aligned climate related disclosure requirements</b>  Affects: REIT managers	<p>On 22 June 2021, the FCA published a <a href="#">consultation paper</a> on a climate-related financial disclosure regime for asset managers (among others). The regime is consistent with the recommendations of the <a href="#">Task Force on Climate-Related Financial Disclosures</a> (TCFD) and in line with the Government's <a href="#">commitment</a> to introduce mandatory TCFD-aligned climate-related disclosures across the UK economy by 2025, with many to apply from 2023.</p> <p>In summary, the FCA proposes two types of disclosures:</p> <ul style="list-style-type: none"><li>• Entity-level disclosures. Firms would be required to publish, annually, an entity-level TCFD report on how they take climate-related risks and opportunities into account in managing or administering investments on behalf of clients and consumers.</li><li>• Product or portfolio-level disclosures. Firms would be required to produce, annually, a baseline set of consistent, comparable disclosures in respect of their products and portfolios, including a core set of metrics.</li></ul> <p>The FCA is asking for comments on its policy proposals by 10 September 2021.</p>	Q3	Red

# Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<b>FCA second consultation paper and first policy statement for new UK prudential regime for MiFID investment firms</b>  Affects: REIT managers that are collective portfolio management investment firms, REIT advisers that are MiFID investment firms	<p>On 19 April 2021, the FCA published its second <a href="#">consultation paper</a> (CP21/7) on the UK's Investment Firm Prudential Regime (IFPR). The IFPR will come into force in January 2022 and will apply not only to MiFID investment firms but to collective portfolio management investment (CPMI) firms as well. CP21/7 includes details of how CPMI firms will be affected. It closed for comments on 28 May 2021.</p> <p>On 29 June 2021, the FCA published the first of its <a href="#">policy statements</a> on the IFPR (PS21/6), which contains near final rules for the topics covered in it. PS21/6 follows up on the proposals that the FCA set out in CP20/24 (see page 26 of our <a href="#">UK REIT Horizon Scanner Q2 2021</a>). Broadly speaking, the FCA has implemented the proposals as consulted on in CP20/24.</p> <p>Final rules will be published later in the year.</p>	Q3	Red
<b>List of MoUs and other agreements entered into by FCA with overseas regulators</b>  Affects: REIT managers, REIT advisers when considering overseas activities	<p>The FCA has published a <a href="#">list</a> of multilateral and bilateral memoranda of understanding (MoUs) and other agreements it has signed with overseas regulators. The agreements help to ensure regulatory co-operation and exchange of information. Many of the MoUs were entered into ahead of the UK's departure from the EU and applied from the end of the Brexit transition period.</p>	Ongoing	Green

# Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<b>EU Commission adopts Delegated Regulation on disclosure requirements under Article 8 of Taxonomy Regulation</b>  Affects: REITs and REIT managers <u>when undertaking activities in the EEA</u>	<p>On 6 July 2021, the EU Commission adopted a <a href="#">Delegated Regulation</a> supplementing Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation). The Delegated Regulation specifies the information to be provided by non-financial undertakings and asset managers to comply with their disclosure obligations under Directive 2014/95/EU (Non-Financial Reporting Directive) and contains common rules relating to key performance indicators.</p> <p>The Council of the EU and the European Parliament must now scrutinise the Regulation. It will enter into force 20 days after its publication in the Official Journal and apply from January 2022. Article 10 of the Regulation sets out in more detail the application dates for non-financial and financial undertakings respectively.</p>	Q1 2022	Amber
<b>SFDR: publication of draft RTS</b>  Affects: REITs and REIT managers <u>when marketing into the EEA</u>	<p>On 4 February 2021, the European Supervisory Authorities (ESAs) (the EBA, EIOPA and ESMA) announced that the Joint Committee of ESAs had submitted to the EU Commission the final report on draft regulatory technical standards (RTS) on the content, methodologies and presentation of disclosures under Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR).</p> <p>The next stage in the legislative process is for the Commission to decide whether to endorse the RTS, which it must do within three months of their publication. In addition, neither the EU Parliament nor the Council of the European Union must object to the RTS within three months of adoption by the Commission.</p> <p>According to the draft RTS, the application date of the RTS is 1 January 2022. The SFDR came into force on 10 March 2021.</p>	From 1 January 2022	Amber
<b>Joint Committee of ESAs statement on application of SFDR</b>  Affects: REITs and REIT managers <u>when marketing into the EEA</u>	<p>On 25 February 2021, the ESAs issued a <a href="#">supervisory statement</a> made by the Joint Committee of the ESAs on the application of the SFDR. Most provisions regarding sustainability-related disclosures applied from 10 March 2021. The expected application date of the RTS relating to the content, methodologies and presentation of sustainability-related disclosures is 1 January 2022.</p> <p>The Joint Committee recommends that the draft RTS are used as a reference point in the interim period before the RTS apply. The statement notes that given the legislative process the final RTS may differ from the draft RTS.</p>	From 10 March 2021 and expected 1 January 2022	Amber

# Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<b>ITS relating to the publication of information by regulators regarding the cross-border distribution of investment funds</b>  Affects: REITs and REIT managers <u>when marketing into the EEA</u>	<p>On 15 June 2021, <a href="#">Implementing Technical Standards (ITS)</a> were published in the Official Journal, which set out certain requirements relating to the Regulation on the cross-border distribution of investment funds. The ITS cover the publication of information by EEA regulators on their websites regarding the rules governing marketing requirements for funds, information concerning the regulatory fees and levies associated with a fund manager's cross border activities, and the notification of information to ESMA for maintaining a database listing alternative investment funds marketed cross-border on ESMA's website.</p> <p>Most of the provisions apply from 5 July 2021.</p>	Q3 2021	Amber
<b>ESAs agree to changes to PRIIPs key information document</b>  Affects: REITs and REIT managers <u>when marketing into the EEA</u>	<p>On 3 February 2021, the ESAs <a href="#">announced</a> that they had submitted <a href="#">draft RTS</a> to the Commission on amendments to the key information document for packaged retail and insurance-based investment products (PRIIPs). The announcement also confirmed that the draft RTS had been adopted by a qualified majority of EIOPA's Board (see for background, the <a href="#">request</a> from the Commission in December 2020). The draft RTS is now subject to adoption by the Commission. If adopted, the RTS would be subject to non-objection by the European Parliament and the Council of the European Union.</p>	Ongoing	Amber

# Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p><b>Regulators set out their views on plans to improve diversity and inclusion in financial services</b></p> <p>Affects: REIT managers and REIT advisers</p>	<p>The FCA, the Prudential Regulation Authority, and the Bank of England have published a <a href="#">joint discussion paper (DP21/2)</a>, in which they set out a number of policy options to improve on diversity and inclusion in financial services. The options include targets for representation, ensuring senior leaders are directly accountable for diversity and inclusion in the firms, linking remuneration to diversity and inclusion metrics, and providing guidance on what amounts to non-financial misconduct. As part of their work, the regulators would like to understand how any changes could be tailored to specific categories of firms to ensure any changes are proportionate.</p> <p>The discussion paper closes on 30 September 2021.</p>	Q3	Amber
<p><b>Changes to regulatory reporting because of impact of COVID-19</b></p> <p>Affects: REIT managers and REIT advisers</p>	<p>The FCA updated its webpage containing details of <a href="#">temporary measures</a> that have been introduced for firms submitting regulatory returns. In particular, the FCA will allow flexibility in the submission deadline for FIN-A (annual report and accounts). For this return only, firms will have an automatic 2-month extension to the deadline for submissions up to and including 31 July 2021.</p> <p>Firms should note this flexibility is intended to cover the situation where the impacts of COVID-19 have made it impractical to finalise audited financial statements. The FCA notes that if firms are able to submit FIN-A on time, then they should do so – and in any event should submit it as soon as they are reasonably able to and no later than 30 September 2021.</p>	Q3	Amber
<p><b>Government call for input on its review of UK funds regime</b></p> <p>Affects: REITs and REIT managers</p>	<p>On 26 January 2021, HM Treasury published a <a href="#">call for input</a> on its review of the UK funds regime. The policy paper considered the UK's approach to funds taxation and funds regulation and opportunities for wider reform. The paper noted that the government was looking at a range of proposals for unauthorised fund structures and referred to a range of industry proposals including a suggestion for a contractual scheme, put forward by the Association of Real Estate Funds, supported by the UK Funds Regime Working Group. Such a scheme could offer an onshore alternative to fund managers looking to service pension funds' as well as other, professional investors' investments in underlying UK real estate assets. Responses to the call for input closed on 20 April 2021. The government will analyse responses to the call for input and then consult on policy proposals as appropriate.</p>	Ongoing	Amber



# Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<b>Letter from Joint Committee of ESAs regarding priority issues relating to SFDR application</b>  Affects: REITs and REIT managers	On 7 January 2021, Steven Maijoor, the Chair of the Joint Committee of the ESAs, <a href="#">wrote</a> to John Berrigan, Director General of Financial Stability, Financial Services and Capital Markets Union at the Commission, regarding certain interpretative uncertainties concerning the application of the SFDR. These include the application of the SFDR to non-EU AIFMs and sub-threshold AIFMs.	Ongoing	Amber
<b>Reminder from ESMA about MiFID II rules on reverse solicitation</b>  Affects: REITs and REIT managers <a href="#">when providing services to EEA investors</a>	<p>On 13 January 2021, ESMA published a <a href="#">public statement</a> reminding firms of the MiFID II requirements concerning the provision of investment services to retail or professional clients by firms not established or situated in the European Union.</p> <p>Third-country firms are not subject to the MiFID II requirement to establish a branch in the EU, where a retail client or professional client established or situated in the EU initiates the provision of an investment service or activity at its own exclusive initiative.</p> <p>The statement notes that following the end of the Brexit transition period, "some questionable practices by firms around reverse solicitation have emerged." For instance, some firms had sought to avoid MiFID II requirements by including general clauses in their Terms of Business or through the use of online pop-up "I agree" check boxes where clients state that any transaction is executed on the exclusive initiative of the client.</p> <p>The statement reminds firms of the meaning of "own exclusive initiative of the client" and how every communication used must be considered when assessing whether there has been any solicitation or promotion or advertising in the EU.</p>	Ongoing	Amber



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# | 4 | Real estate, planning and construction

UK REIT Horizon Scanner Q3 2021

# Real estate, planning and construction

## Key developments in Q2 2021

- Building Safety Bill introduced to Parliament
- Government has tabled legislation to set ground rents of new residential long leases
- New legislation will be introduced to ringfence outstanding unpaid rent that has built up when a business has had to remain closed during the pandemic

Issues	Status	Key Timing	Impact
<b>Building Safety Bill</b>  Affects: Investors, owners and developers of higher risk buildings	<p>The Building Safety Bill was introduced to Parliament on 5 July 2021. Published alongside the Building Safety Bill are explanatory notes, some draft regulations and other supporting documents to assist understanding of the Bill.</p> <p>Royal Assent is expected to take 9-12 months to achieve given the length and complexity of the Bill. Once Royal Assent is achieved some of the provisions are intended to be implemented in the first 12 months with the majority to follow within 12-18 months of Royal Assent.</p> <p>The Building Safety Bill proposes a new regulatory framework for higher-risk buildings, which are buildings of over 18 metres in height (or 7 storeys) in England and which contain two or more residential units, a care home or hospital. The Welsh Government is given powers to vary the scope and application of the regime for buildings in Wales.</p> <p>The Bill will also strengthen the Regulatory Reform (Fire Safety) Order 2005, drive competency improvements throughout the industry and improve regulation of construction products.</p> <p>A new provision is the extension of time limits to bring claims under the Defective Premises Act 1972 by extending the limitation period from 6 to 15 years, which is intended to apply retrospectively. Building owners will also be required to take reasonable steps to ascertain whether alternative sources of funding are available prior to carrying out remediation works on buildings in England.</p> <p>Provisions to enable the Secretary of State to make regulations for the imposition of a new levy where a developer seeks building control approval for work to higher-risk buildings first announced in February 2021 are also included.</p>	April – June 2022	Red

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<b>Building Safety Bill (cont'd)</b>  Affects: Investors, owners and developers of higher risk buildings	Amendments to the Town and Country Planning (Development Management Procedure) (England) Order 2015 (as amended) mean that Fire Safety Statements will be required in the planning process from 1 August 2021 for higher-risk buildings in England.  See: <a href="https://www.gov.uk/building-safety-bill">Building Safety Bill - GOV.UK (www.gov.uk)</a>	1 August 2021 (Planning Gateway One)	Red
<b>Fire Safety Act 2021</b>  Affects: Investors, owners, managers and developers of residential buildings	The Fire Safety Act 2021 received Royal Assent on 29 April 2021.  The Fire Safety Act clarifies at section 1 that the Regulatory Reform (Fire Safety) Order 2005 applies to the structure, external walls (including balconies and windows) and flat entrance doors in buildings which contain two or more domestic buildings. This means that "Responsible Persons" (usually the managing agent or landlord) will need to ensure that fire risk assessments include fire safety risks for these parts of a building .  Section 1 will come into force on a date to be determined by the Secretary of State or Welsh Minister (for England and Wales respectively).  See: <a href="https://www.taylorwessing.com/news/fire-safety-act-2021">Fire Safety: where have we got to? (taylorwessing.com)</a>	29 April 2021	Red
<b>Residential Property Developer Tax (RPDT)</b>  Affects: large residential property developers	Consultation is underway on the design and scope of a new RPDT intended to be introduced from 1 April 2022 to help fund the costs of the cladding remediation programme. For further details see section 5, Tax below.	Consultation closes: 22 July 2021	Red

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<b>Land Control</b>  Affects: all those with options	<p>The Ministry of Housing Communities and Government has published a call for evidence on the government's proposals to improve the transparency of contractual mechanisms, such as land options, used to exercise control over land. The Government hopes to gain a better understanding of the sort of arrangements that exist.</p> <p>The Government's particular focus is on options, rights of pre-emption and conditional contracts, where it is consulting on proposals to make key information about these type of contracts over development land disclosable.</p> <p>Developers and beneficiaries of such arrangements may have concerns about the public disclosure of what may be quite detailed and commercially sensitive information. If the proposals go ahead, it could mean that additional compliance costs are incurred, increasing further if the parties wish to keep specific terms of the contract confidential by exempting them from the public land register held by HMLR.</p>	<p>Consultation closed on 30 October 2020</p> <p>MHCLG response awaited</p>	Amber
<b>Planning For the Future – White Paper</b>  Affects: investors and developers	<p>Government published its White Paper – Planning for the Future on 6 August 2020. Key proposals include:</p> <ul style="list-style-type: none"> <li>Local plans are to be simplified and 3 categories of land to be identified (growth, renewal and protect)</li> <li>Greater Digitisation to simplify general population engagement</li> <li>Emphasis on Sustainability</li> <li>s106 and Community Infrastructure levy to be replaced by a national single infrastructure levy.</li> </ul>	<p>Consultation closed on 30 October 2020</p> <p>MHCLG response awaited</p>	Amber
<b>Town and Country Planning (Use Classes) (Amendment) (England) Regulations 2020</b>  Affects all	<p>Core changes announced by Government include the recalibration of the classification of uses of property. Classes A, B1 and D1 applicable to retail, office and non-residential institutions and assembly and leisure uses respectively, are removed and new use classes introduced in their place.</p> <p>Campaign group, Rights: Community: Action (RCA) has now been granted a court hearing to hear their application for judicial review of the changes. The appeal will be pursued on the ground that the Divisional Court erred in concluding that three statutory instruments used to bring the changes into force were not required to be subject to Strategic Environmental Assessment.</p>	<p>[1 September 2020]</p>	Amber



# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p><b>Minimum energy efficiency level for rented property in England and Wales</b></p> <p>Affects: landlords of privately rented commercial or domestic property in England or Wales</p>	<p>Since April 2018, landlords of privately rented commercial or domestic property in England or Wales have not been able to grant a new tenancy unless their properties reach at least an Energy Performance Certificate (EPC) rating of E.</p> <p>The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015, introduced a phased approach to compliance, but by 1 April 2023 every commercial property will need to meet the minimal level in order to continue to be let.</p> <p>See: <a href="#">The Private Rented Property minimum standard – landlord guidance documents</a></p> <p>There is an exemptions framework to cover certain circumstances, which requires the landlord to note the property on a National PRS Exemptions Register.</p> <p>From 1 April 2019, the "no cost to landlord" principle does not apply to energy efficiency works at domestic properties. Landlords are now required to fund works required under the regulations up to a cost of £3,500.</p> <p>From 1 April 2020, domestic landlords with private tenants may not let or renew a letting of a property with an Energy Performance Certificate (EPC) rating of F or G. The Energy Efficiency (Private Rented Property for England and Wales) Regulations 2015 ensure that from 1 April 2018, all privately rented properties are captured, regardless of whether a new lease (or a lease renewal) is being completed.</p> <p>From 1 April 2023, commercial landlords will be affected by an extension of the prohibition on new (or renewal) lettings to properties with an Energy Performance Certificate (EPC) rating of F or G. The regulations ensure that from 1 April 2018, all properties will be captured, regardless of whether a tenant is already in occupation.</p>	<p>Note the next key date is 1 April 2023</p>	<p><b>Red</b></p>

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<b>Future Homes Standard and Future Buildings Standard</b>  Affects: developers, owners and occupiers and the construction supply chain	<p>The government has confirmed that the Future Homes Standard is due to come into effect in 2025 with legislation anticipated in 2024. Interim uplifts to standards in Part L of the Building Regulations (Conservation of fuel and power) and changes to Part F (Ventilation) in England for new domestic buildings are expected to come into force in June 2022.</p> <p>A Future Buildings Standard for new non-domestic buildings is also anticipated. A consultation on the government's proposals closed on 13 April 2021.</p>	<p>June 2022</p> <p>Government Response awaited</p>	Amber
<b>Non-domestic buildings minimum energy efficiency standards</b>  Affects: developers, owners and occupiers and the construction supply chain	<p>The Energy White Paper confirmed the Government's proposed target for non-domestic buildings to achieve minimum energy efficiency standards and EPC rating of "B" by 2030.</p> <p>A Consultation on how this target might be met closed on 9 June 2021.</p> <p>The proposals include:</p> <ul style="list-style-type: none"> <li>A requirement that all let commercial property should have a valid EPC in place at all times by 2025 (thereby bringing many more commercial properties into the ambit of the MEES Regulations)</li> <li>An interim minimum energy efficiency standard of an EPC rating of C by 2027.</li> <li>A combined exemptions and compliance database to facilitate enforcement.</li> <li>Restrictions on both letting agents and online property platforms to require them only to advertise and let properties that are compliant with the MEES Regulations.</li> </ul> <p>See: <a href="#">Consultation</a></p>	<p>Consultation closed 9 June 2021</p>	Amber

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<b>The Charter for Social Housing Residents</b>  Affects: Property investors, local authorities, occupiers of social housing	<p>The Ministry of Housing, Communities and Local Government published the Social Housing White Paper (aka "The Charter for Social Housing Residents") on 17 November 2020. A full copy of the White Paper is available <a href="#">here</a>.</p> <p>The document contains few surprises and, as expected, the focus is on health &amp; safety and tenant empowerment. The government will be working with the Regulator for Social Housing (RSH) to create a strong, proactive consumer regulatory regime, strengthening the formal standards against which landlords are regulated and requiring them to:</p> <ul style="list-style-type: none"> <li>• be transparent about their performance and decision-making – so that tenants and the regulator can hold them to account</li> <li>• put things right when they go wrong, and</li> <li>• listen to tenants through effective engagement.</li> </ul>	MHCLG response published	Amber
<b>Electric Vehicle Charging Consultation</b>  Affects: property owners, managers and investors	<p>In July 2019, the government opened a consultation relating to the promotion of electric vehicles.</p> <p>The Electric Vehicle Charging Consultation's key proposals are that new residential buildings with an associated car parking space have a charge-point and that residential buildings undergoing major renovations with more than 10 car-parking spaces have cable routes for electric vehicle charge-points in every space.</p> <p>Supermarkets, retail parks, workplaces with car-parks and public buildings such as schools, churches and community centres will also be caught by the proposals that existing non-residential buildings with more than 20 car-parking spaces have one charge point from January 2025. A related consultation seeks views on making it mandatory for new EV charge-points to be smart-enabled to allow charging at off peak-times.</p> <p>See: <a href="#">Electric Vehicle Charging in Residential and Non-Residential Buildings</a></p> <p>See: <a href="#">Electric Vehicle Smart Charging</a></p>	<p>Consultations closed on 7 October 2019</p> <p>Government response is still awaited</p>	Amber

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p><b>Unfair Practices in the Leasehold Market – MHCLG Review</b></p> <p>Affects: Residential and mixed-use property owners, managers and investors</p>	<p>On 20 March 2019, the Housing, Communities and Local Government Select Committee issued its report on leasehold reform. It has made a number of recommendations to the government, including that commonhold (see section below) should become the primary model of ownership of flats in England and Wales. It also asked the Competition and Markets Authority (the CMA) to investigate leasehold mis-selling. The CMA formally launched its investigation on 11 June 2019 and it will look at potential mis-selling, and potential unfair terms. On 3 July 2019, the government issued its response to the Select Committee report, and confirmed that it is bringing forward reforms including: banning the grant of new leases of houses; restricting ground rents on new leases to a peppercorn; and working with the Law Commission to reinvigorate Commonhold.</p> <p>See: <a href="#">Report on Leasehold Reform</a> and <a href="#">Government response to Select Committee report</a></p> <p>On 28 March 2019, the government announced a new "Public pledge for leaseholders" in which certain property developers and freeholders have publicly committed to certain principles, including:</p> <ul style="list-style-type: none"> <li>• amending ground rent clauses where the rent doubles more frequently than every 20 years, offering to amend it to one linked to RPI (which we note is not an official statistic and tends to run higher than CPIH, the official consumer prices index including owner-occupiers' housing costs)</li> <li>• not inserting into any future lease a clause whereby ground rent doubles more frequently than every 20 years.</li> </ul> <p>See: <a href="#">Public Pledge for Leaseholders</a></p> <p>On 15 April 2019, the government announced its consultation into ending no-fault evictions for private residential tenancies (the abolition of section 21 Notices). Under the current rules, a landlord does not need to provide a reason for taking back a property at the end of the contractual term of the tenancy, provided that it complies with basic regulations and serves two months' notice on the tenant (a section 21 Notice). The consultation proposes that landlords must provide a concrete, evidenced reason already specified in law for bringing tenancies to an end, and so paves the way for open ended residential tenancies, of the sort more commonly found across the Continent. Details of how landlords could regain possession from tenants under the new rules are yet to be fleshed out, but it is proposed that the section 8 eviction process is also amended so that landlords are able to regain their property if they wish to sell it or move into it. On 21 July 2019, the government launched a consultation which seeks views on the implementation of the decision to abolish section 21 Notices.</p> <p>See: <a href="#">Government announces end to unfair evictions</a> and <a href="#">A new deal for renting: Consultation description</a></p>	<p>Consultation closed on 12 October 2019. Response awaited</p>	<p>Amber</p>

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p><b>Law Commission Residential Leasehold and Commonhold Project</b></p> <p>Affects: Residential and mixed-use property owners, managers and investors</p>	<p>The Law Commission's Residential Leasehold and Commonhold Project considers how to deal with existing leasehold houses subject to ground rents, as well as potential future models. The terms of reference that have been agreed with the government require the Law Commission:</p> <ul style="list-style-type: none"> <li>• to provide a better deal for leaseholders as consumers</li> <li>• to simplify the enfranchisement regime</li> <li>• to promote transparency and fairness</li> <li>• to set out the options for reducing premiums payable for enfranchisement, while ensuring sufficient compensation is paid to landlords to reflect their legitimate property interests.</li> </ul> <p>On 20 September 2018, the Law Commission issued its consultation paper on leasehold home ownership.</p> <p>See: <a href="#">Leasehold Home Ownership: Buying your freehold or extending your lease</a></p> <p>On 11 December 2018, the Law Commission also published its consultation paper on reinvigorating the commonhold model of property ownership, as an alternative to leasehold ownership.</p> <p>See: <a href="#">Reinvigorating commonhold: the alternative to leasehold ownership</a></p> <p>In January 2019, the Law Commission published its consultation paper on reform of the Right to Manage leasehold property.</p> <p>See: <a href="#">Leasehold home ownership: exercising the right to manage</a></p> <p>In January 2020 the Law Commission published its report on options to reduce the price payable. Within the report they set out a number of options for reducing premiums and simplifying how these are to be calculated. It contains no recommendations – the way forward will be determined by Parliament.</p> <p>See: <a href="#">Report on options to reduce the price payable</a></p>	<p>Law Commission response published on 7 January 2021 – see following page</p> <p>Right to Manage consultation period closed on 30 April 2019. Response awaited – delayed by COVID-19</p>	<p><b>Amber</b></p>



# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p><b>Law Commission Residential Leasehold and Commonhold Project (cont'd)</b></p> <p>Affects: Residential and mixed-use property owners, managers and investors</p>	<p>Government previously announced that legislation would be brought forward in the upcoming session of Parliament to implement the recommendations.</p> <p>In addition, the government stated its intention to:</p> <ul style="list-style-type: none"> <li>• Remove the marriage value concept from the calculation of premiums.</li> <li>• Introduce an online calculator to allow leaseholders to calculate the cost of buying their freehold or extending their lease.</li> <li>• Ensure that the existing proposal for zero ground rents for new leasehold properties be expanded to include leasehold retirement properties.</li> <li>• Establish a Commonhold Council to reinvigorate commonhold.</li> </ul> <p>The announcement did not give a timetable for when these additional proposals would be implemented, and there was no explanation of how valuations would be calculated following the removal of the marriage value concept.</p> <p>On 12 May 2021 Government introduced the Leasehold Reform (Ground Rent) bill into the House of Lords. Once implemented the new legislation will set ground rents of new residential long leases (21 years and over) at a peppercorn. There are a limited number of exemptions for social housing, shared ownership and sharia type arrangements where a leasehold structure is used for financing purposes. In addition, retirement home leases are exempted until 31 March 2023.</p> <p>See further: <a href="#">what does the Leasehold Reform (Ground Rent) Bill mean for leaseholders?</a></p>	<p>Law Commission response published on 7 January 2021</p> <p>Right to Manage consultation period closed on 30 April 2019. Response awaited – delayed by COVID-19</p>	<p><b>Amber</b></p>

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<b>Coronavirus COVID-19 temporary statutory interventions for Real Estate</b>	<ul style="list-style-type: none"> <li>Landlords cannot forfeit for non-payment of rent until <b>25 March 2022</b> (with a wide interpretation given to rent to include such items as service charge and insurance).</li> <li>Use of the Commercial Rent Arrears Recovery procedure will only be permitted where there is at least <b>554</b> days worth of outstanding rent.</li> <li>New legislation will be introduced to ringfence outstanding unpaid rent that has built up when a business has had to remain closed during the pandemic. The legislation will help tenants and landlords work together to come to an agreement on the terms of a repayment plan. Where an agreement cannot be made, the legislation will introduce a binding arbitration process to enable both parties to come to a legally binding agreement.</li> <li>Prohibition on the winding up of a company based on deemed insolvency following the failure to comply with a statutory demand served during a period commencing on 1 March. The end date for the period is currently set at 31 March 2021.</li> <li>Residential mortgage holidays of 3 months for both owner occupied and buy to let owners.</li> </ul>	Ongoing	<b>Red</b>
<b>Draft registration of overseas entities bill</b>  Affects: Overseas owners of UK property	<p>In 2016, the government confirmed that it will go ahead with plans for a new register of overseas legal entities owning UK real estate, disclosing their beneficial owners.</p> <p>On 20 May 2019, the House of Commons and House of Lords Joint Committee on the draft Registration of Overseas Entities Bill published a report, making recommendations aimed at improving the draft legislation.</p> <p>Some of the more important recommendations include lowering the currently-proposed 25% ownership and voting thresholds for the definition of a registrable beneficial owner – and a suggestion that this should be extended to the PSC regime. The report also recommends a specific requirement to update the register of overseas beneficial ownership before making any disposition of UK land, and the introduction of civil penalties for overseas entities that breach their obligations under the draft Bill, which could be backed up by criminal sanctions for non-payment.</p> <p>Taylor Wessing has been liaising with BEIS in relation to the practical steps needed to implement the Register of Overseas Beneficial Ownership.</p> <p>See: <a href="#">Joint Committee on the Draft Registration of Overseas Entities Bill</a></p>	Draft legislation published in July 2018. It is anticipated that the register will go live by early 2021	<b>Amber</b>



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# | 5 | Tax

UK REIT Horizon Scanner Q3 2021

# Tax

## Key developments in Q2 2021

- The government launched a consultation on the policy design of the new Residential Property Developer Tax
- The Finance Act 2021 received Royal Assent, enacting the new temporary enhanced first year allowances (super-deduction and special rate allowance)

Issues	Status	Key Timing	Impact
<p><b>Consultation on the policy design of the Residential Property Developer Tax</b></p> <p>Affects: large residential property developers</p>	<p>In February 2021 the government announced that a new tax, the Residential Property Developer Tax (RPDT), would be introduced from 1 April 2022 to help fund cladding remediation works on high rise buildings.</p> <p>A <a href="#">consultation</a> on the policy design of the RPDT was launched on 20 April 2021, proposing the following:</p> <ul style="list-style-type: none"> <li>▪ <b>Duration:</b> the tax will be time-limited, aiming to raise £2 billion over 10 years.</li> <li>▪ <b>Scope:</b> it will apply to the largest corporates profiting from UK residential property development.</li> <li>▪ <b>Tax base:</b> two alternative methods are proposed to calculate profits subject to RPDT – a company-based approach and an activity-based approach.</li> <li>▪ <b>Annual allowance:</b> a group-wide allowance of £25 million has been proposed, but the carry-forward of any unused allowance will not be permitted.</li> <li>▪ <b>Rate:</b> this will be decided once the design of the tax is clearer.</li> <li>▪ <b>Definition of 'residential property':</b> will replicate current statutory definitions but extended to include future residential use; communal dwellings such as hotels and care homes will be excluded from RPDT but student accommodation and retirement homes may not be.</li> <li>▪ <b>Development activities:</b> will cover new-builds and conversions both for sale or rental (including build-to-rent).</li> <li>▪ <b>Anti-avoidance:</b> rules on anti-forestalling, fragmentation of profits and reclassification of activities will be included.</li> </ul> <p>Draft legislation will be published for technical consultation ahead of its inclusion in the Finance Bill.</p>	<p>Policy consultation closes on 22 July 2021</p> <p>Draft legislation to be published for technical consultation (possibly on "Legislation Day" - 20 July 2021)</p>	Red

# Tax (continued)

Issues	Status	Key Timing	Impact
<p><b>Consultation on targeted changes to UK REITs rules and upcoming comprehensive review of regime</b></p> <p>Affects: UK REITs</p>	<p>In the Spring 2020 Budget, the government announced a review of the UK funds regime to ensure its ongoing competitiveness and sustainability.</p> <p>As part of this review, the government launched a <a href="#">consultation</a> on the tax treatment of asset-holding companies (AHCs) in alternative fund structures. This consultation also explored the possibility of expanding the UK REITs regime to facilitate easier access to REIT status for AHCs.</p> <p>On 15 December 2020, the government published a <a href="#">response and second stage consultation</a> which considered targeted changes to the REITs regime to make the UK a more competitive location for holding real estate assets. In particular:</p> <ul style="list-style-type: none"> <li>relaxing the requirement for a REIT to be listed or traded on a recognised stock exchange if institutional investors in a REIT are themselves widely held e.g. by requiring a minimum percentage holding by widely-held institutional investors</li> <li>amending the close company test that applies to REITs</li> <li>relaxing the holders of excessive rights rule so that it applies only to distributions if withholding would be required</li> <li>considering how the balance of business test can be reformed to provide greater certainty.</li> </ul> <p>On 26 January 2021, the government published a <a href="#">call for input</a> on its wider review of the UK funds regime. It lists areas of concerns and asks for views on solutions to address these concerns. One area of concern is that there may be barriers and complexity within the REITs regime. Government is asking for views on:</p> <ul style="list-style-type: none"> <li>the impact of removing the interest cover test</li> <li>amending the rule that states a property is deemed to be sold in the course of a trade if it is sold within three years of development</li> <li>removing the barrier that exists if a REIT holds overseas property in a UK company.</li> </ul>	<p>The second stage consultation and call for input have both now closed; the government's response is awaited</p>	<p><b>Amber</b></p>



# Tax (continued)

Issues	Status	Key Timing	Impact
<b>Stamp Duty Land Tax (Temporary Relief) Act 2020</b>  Affects: all purchasers of residential property	<p>The Stamp Duty Land Tax (Temporary Relief) Act 2020 introduced a temporary increase in the SDLT nil-rate band from £125,000 to £500,000 for residential property transactions with an effective date on or after 8 July 2020 but before 1 April 2021. The Finance Act 2021 amended the Act to extend the temporary period until 30 June 2021.</p> <p>From 1 July 2021 to 30 September 2021 the nil-rate band is lowered to £250,000 for residential property transactions and for transactions on or after 1 October 2021 the nil-rate band goes back to £125,000. The 3% higher rate surcharge continues to apply.</p>	From 1 July 2021 to 30 September 2021 the nil-rate band is lowered to £250,000.	Amber
<b>Finance Act 2021 – Super-deduction and special rate first year allowances for capital allowances</b>  Affects: REITS investing in capital expenditure	<p>The Finance Act 2021 includes a "super-deduction" and special rate first year allowance for companies investing in qualifying new plant and machinery between 1 April 2021 and 31 March 2023.</p> <p>Qualifying expenditure on main rate assets that would ordinarily qualify for 18% writing down allowances will be relieved by a super-deduction of 130%. Qualifying expenditure on special rate assets that would ordinarily qualify for 6% writing down allowances will be relieved by a 50% special rate first year allowance.</p> <p>Although income from a REIT's property rental business is not within the charge to UK tax, notional allowances will be taken into account in calculating its distributable profits, reducing the amount that the REITs are required to distribute to investors.</p>	Applies to expenditure incurred between 1 April 2021 and 31 March 2023	Amber



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## | 6 | Key contacts

# Key contacts

## Important note

This document is intended to give a general overview of the matters covered as they affect REITs listed on the Main Market of the London Stock Exchange and by its nature cannot be exhaustive. The information in this document is not intended to be, and should not be used as, a substitute for taking legal advice for any specific situation. Law and regulation are subject to change after the date this document is published. Links to publications and websites are included for convenience and no responsibility is accepted for the contents or accuracy of those documents or websites.

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