



TaylorWessing

UK REIT Horizon Scanner Q2 2022

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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 tax¹ in England (including retained EU law²).

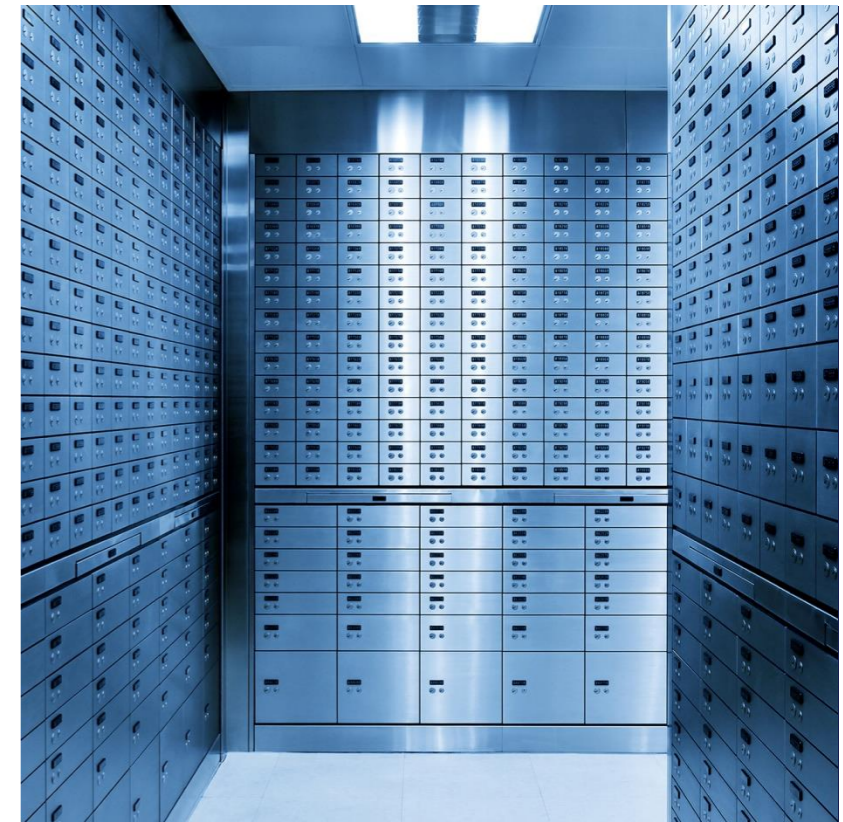
Issue/status/timing: New developments since our December 2021 edition are shown in **green text**.

Impact: urgency/impact rating for REITs admitted to London Stock Exchange Main Market (including the Specialist Fund Segment³)

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

Published as at: 31 March 2022

- ¹ 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.
- ² 'retained EU law' is EU law incorporated into UK domestic law from the end of the Brexit transition period, as amended
- ³ 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.



Contents

1	Equity capital markets	4
2	General corporate	15
3	Financial regulatory	28
4	Real estate, planning and construction	35
5	Tax	46
6	Key contacts	50

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1 | Equity capital markets

Equity capital markets

Key developments in Q1 2022

- HM Treasury published the outcome of its review of the UK prospectus regime.
- Publicly quoted companies will be required to make mandatory TCFD recommendations aligned disclosures for accounting periods starting on or after 6 April 2022.
- Temporary COVID-19 reliefs allowing for delayed annual and half-yearly financial reporting are no longer available for reporting periods ending on or after 28 June 2022.

Issues	Status	Key Timing	Impact
Brexit: general legislation Affects: listed companies	Alongside the Trade and Cooperation Agreement 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 (agreed but not yet ratified). 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.	Ongoing	Amber
COVID-19: FCA removes temporary COVID-19 financial reporting measures Affects: listed companies	On 23 March 2022, the FCA announced in Primary Market Bulletin 39 that the temporary COVID-19 reliefs allowing for delayed annual and interim financial reporting under DTR 4 are no longer available for reporting periods ending on or after 28 June 2022. Further, after 28 June 2022, the FCA will no longer approve prospectuses or circulars that use the temporarily revised approach to working capital statements, nor will it grant a dispensation to premium listed companies (who apply for one) from the requirement to hold general meetings in respect of class 1 transactions and related party transactions from that date.	28 June 2022	Red

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>European Single Electronic Format (ESEF) reporting</p> <p>Affects: Main Market and Specialist Funds Segment</p>	<p>For financial years beginning on or after 1 January 2021 (for publication from 1 January 2022), issuers subject to the reporting format obligations in DTR 4.1.14R are required to publish their annual reports in XHTML web browser format, and, if they prepare IFRS consolidated annual financial statements, they must also tag their financial statements in accordance with FCA approved taxonomies. For financial years starting on or after 1 January 2022, they must also tag the notes to financial statements. Reports must also be filed with the FCA's National Storage Mechanism (NSM). In December 2021, the FCA published Primary Market Bulletin 37 which sets out the FCA's expectations on quality.</p> <p>In December 2021, the FCA extended the rules on corporate reporting in machine-readable format to permit issuers to use a wider range of taxonomies when preparing annual financial reports (Handbook Notice). In March 2022, it also published a consultation (CP 22/5) on changes to the DTR to permit the use of version 2 of the UKSEF taxonomy rather than version 1 from 2 May 2022. The NSM cannot accept both versions. The AIC and the FRC has published various guidance on electronic reporting – see previous editions of this scanner.</p> <p>The FRC Lab intends to publish a review of best practice later in 2022. For background information, see previous editions of this scanner.</p>	<p>Financial years beginning on or after 1 January 2021 for publication from 1 January 2022</p>	<p>Amber</p>
<p>FRC annual review of corporate reporting</p> <p>Affects: all companies, including listed companies</p>	<p>On 27 October 2021, the FRC published its annual review of corporate reporting for 2020/2021. This sets out the FRC's top ten areas where improvements to reporting are required in 2021/22. The FRC also published its year-end bulletin of key corporate reporting matters. See also section 2, General corporate.</p>	<p>Ongoing</p>	<p>Amber</p>
<p>FRC thematic reviews</p> <p>Affects: listed companies</p>	<p>The FRC has been carrying out thematic reviews of corporate reporting since 2020. The recent reviews include: listed company interim reports; streamlined energy and carbon reporting; financial reporting effects of COVID-19; viability and going concern disclosures; alternative performance measures and disclosures in relation to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. The reviews generally highlight where reporting could be improved, and provide guidance and best practice examples of relevant disclosures as well as setting out the FRC's disclosure expectations. For further detail on each of these reviews, see previous versions of this scanner.</p>	<p>Ongoing</p>	<p>Amber</p>

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>ESG: FCA consultation on board diversity and executive committees, and related reviews</p> <p>Affects: listed companies</p>	<p>The FCA's consultation (CP 21/24) on proposed amendments to the Listing Rules (LR) and the Disclosure Guidance and Transparency Rules (DTR) in relation to diversity on boards and executive committees closed on 22 October 2021. According to its strategy for ESG priorities (November 2021) the FCA intends to publish a policy statement in relation to this consultation (and its July 2021 discussion paper on diversity and inclusion) in Q1 2022. It was proposed in CP 21/24 that the new Listing Rule requirements would apply to accounting periods starting on or after 1 January 2022, so that reporting will start to be seen in annual financial reports published for that year in spring 2023.</p> <p>The proposed amendments include comply or explain requirements for gender and ethnicity targets for boards and rules on publication of data and policies in relation to diversity (for further detail, see previous editions of this scanner). The proposed LR requirements would apply to premium and standard listed UK and overseas companies, while the DTR changes apply to companies with securities traded on UK regulated markets (e.g. LSE Main Market).</p> <p>On 22 February 2022, BEIS published the first FTSE Women Leaders Review which sets out new recommendations, including new voluntary targets for women's representation on boards and leadership teams.</p> <p>On 16 March 2022, the Parker Review Committee published an update report on the ethnic diversity of FTSE 350 companies' boards. In particular, the report states that, as of 31 December 2021, 89 FTSE 100 companies had ethnic diversity on their boards but most of these positions remain non-executive roles meaning that continued attention is focused on this issue.</p>	<p>Accounting periods starting on or after 1 January 2022 – but policy statement awaited</p>	<p>Amber</p>

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>ESG: climate-change reporting and related guidance</p> <p>Affects: premium and standard listed companies, and asset managers (but not investment entities such as REITs or shell companies)</p>	<p>On 17 December 2021, the LR requirements for premium listed companies to make comply or explain disclosures in their annual reports against the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations were extended to standard listed companies (excluding investment entities and shell companies such as SPACs) in new LR 14.3.27 R for accounting periods beginning on or after 1 January 2022 (Policy Statement 21/23). NOTE THAT THIS DOES NOT THEREFORE APPLY TO REITs AS CLOSED ENDED INVESTMENT FUNDS. The related Technical Note (included as an annex to Policy Statement 21/23) on ESG reporting has also been updated to reflect this change. The AIC has published guidance (available to members) on recent regulatory developments relating to ESG and sustainability. The FCA has also published the final text of its technical note: TCFD aligned climate-related disclosure requirements for listed companies (TN802.1).</p> <p>The new LR for standard issuers is accompanied by guidance which incorporates the TCFD's new guidance on metrics, targets and transition plans and updated implementation guidance (which includes a section aimed at Asset Managers) on its recommendations, both published in October 2021.</p> <p>Publicly quoted companies, large private companies and LLPs will also be required to make mandatory climate-related financial disclosures in line with the TCFD recommendations for accounting periods starting on or after 6 April 2022 by virtue of regulations which come into force on that date. BEIS has published related guidance. For further details, see previous editions of this scanner and also section 2, General corporate.</p> <p>On 17 December 2021, the FCA published Policy Statement 21/24 which introduces a new ESG Sourcebook to the FCA Handbook containing rules and guidance for asset managers (among others) to make disclosures consistent with the TCFD's recommendations. The rules apply from 1 January 2022 for the largest in-scope firms, and one year later for smaller firms above the £5 billion exemption threshold. The first public disclosures will need to be made by 30 June 2023.</p> <p>On 28 October 2021, the FCA published its first climate change adaptation report setting out its assessment of how the financial services industry and listed companies are adapting to climate change. In particular, the report sets out principles for net zero commitments for listed companies to consider.</p>	<p>Financial years beginning on or after 1 January 2022</p>	<p>Amber</p>

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Corporate governance: investor body guidelines</p> <p>Affects: listed companies</p>	<p>On 16 November 2021, Glass Lewis published its 2022 ESG Initiatives: Policy Guidelines and 2022 UK Proxy Voting Policy Guidelines. The latter set out Glass Lewis' approach to, e.g., directors' appointments and remuneration, boards and ESG issues, and the former focus on shareholder rights to propose certain ESG-related resolutions at general meetings.</p> <p>On 18 November 2021, the Investment Association published its 2022 Principles of Remuneration which outline its members' expectations in relation to executive pay. It also published a letter to FTSE 350 remuneration committee chairs, setting out key changes in the 2022 Principles and areas of focus for the forthcoming annual general meeting season. On 1 March 2022, the Investment Association published Shareholder Priorities and IVIS approach for 2022, which sets out investors' expectations for the coming year. Briefly, the IA encourages companies to publish transition plans before it becomes mandatory and expects to see progress on setting robust targets to achieve net zero. IVIS will amber top companies that do not make disclosures against all four pillars of the TCFD recommendations.</p> <p>On 7 December 2021, Institutional Shareholder Services announced the publication of its Benchmark Policy Updates for 2022 which will apply for shareholder meetings taking place on or after 1 February 2022.</p> <p>On 23 February 2022, the Pensions and Lifetime Savings Association published its 2022 Stewardship Guide and Voting Guidelines providing guidance for pension schemes considering how to exercise their voting rights on key issues during the 2022 AGM season. Key issues include climate change, virtual AGMs, remuneration practices and workplace diversity.</p>	2022	Amber
<p>Corporate governance: independent board evaluations</p> <p>Affects: listed companies</p>	<p>On 20 January 2021, the Chartered Governance Institute published the findings of its review and report on the effectiveness of independent board evaluation in the UK listed sector (following its 2019 consultation). In line with its recommendations, the Institute has published drafts of the Code of Practice for board reviewers, Principles of Good Practice for listed companies and Guidance on Reporting on Board Performance Reviews under the UK Corporate Governance Code. A government response is awaited.</p>	Ongoing	Amber
<p>Corporate governance: Investment Association: distribution policies</p> <p>Affects: listed companies</p>	<p>In 2019, the Investment Association reported 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	Green

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Reforms to UK listing regime: Listing Rule changes and consultation</p> <p>Affects: listed companies</p>	<p>The government is undertaking a fundamental review of the UK listing regime following the publication of the Hill Review in March 2021.</p> <p>In response to the Hill Review, the FCA is also conducting a fundamental review of the listing regime, and published a discussion paper and consultation in July 2021 regarding certain targeted measures to remove barriers to listing. Those came into force on 3 December 2021 via changes to the Listing Rules (Policy Statement 21/22). For further details, see previous versions of this scanner.</p> <p>The FCA plans to provide further feedback on the wider fundamental listing regime reform and set out next steps in H1 2022.</p> <p>Further, and again in response to the Hill Review, HM Treasury launched the UK Secondary Capital Raising Review in October 2021 which will look at how to improve secondary capital raising processes and make recommendations to government. It also published a related call for evidence aimed at providing more options to existing publicly traded issuers when raising capital. Comments were requested by 16 November 2021, and the Review is expected to report in Spring 2022. Issues on which views were sought include:</p> <ul style="list-style-type: none"> ▪ If, and how, the duration and cost of the existing UK rights issue process can and should be reduced and whether new technology should be used in the process to improve efficiencies. ▪ If fund-raising models in other jurisdictions should be considered for use in the UK. ▪ If the greater transparency around short selling introduced after the financial crisis benefited the rights issue process. ▪ If refinements should be made to undocumented secondary capital raising process in light of experiences during the pandemic. 	Ongoing	Amber
<p>Response to consultation on new class of trading venue for smaller SMEs</p> <p>Affects: SMEs</p>	<p>On 1 March 2022, HM Treasury published its response to the July 2021 consultation on the UK's regime for wholesale capital markets. In the consultation, the government explored a potential new class of trading venue with a reduced regulatory framework for smaller SMEs with a sub-£50 million market capitalisation. The government considers that the case for change was not conclusive and that it will engage relevant stakeholders on the matter in 2022. It also will consider the case for expanding such a venue to other types of businesses.</p>	Ongoing	Green
<p>LSE 2022 Dividend Procedure Timetable</p> <p>Affects: listed companies</p>	<p>On 12 October 2021, the LSE published its 2022 Dividend Procedure Timetable. The timetable is issued each year and is a guide for companies with shares listed on the Official List (or admitted to trading on AIM) on setting their interim and final dividend programmes. It sets out a series of ex-dividend dates for 2022, its associated record date and the corresponding latest announcement date. Under the timetable, companies should pay cash dividends within 30 business days of the record date.</p>	Ongoing	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Reforms to UK prospectus regime: outcome</p> <p>Affects: listed companies</p>	<p>Connected to the UK Listing Review (entry above), on 1 March 2022, HM Treasury published the outcome of its review of the UK prospectus regime. As proposed in the consultation, there will be separate regulatory regimes for public offers of securities and admissions of securities to trading, and the FCA will be given more responsibility to set out the detail of the new regime through its rules. As such, the reforms will only take effect once the FCA has consulted on them, and is ready to implement. This ties in with the government's broader plan to return responsibility for designing and implementing financial services regulatory requirements to the regulators. The government will legislate to make the necessary changes to the prospectus regime when parliamentary time allows.</p> <p>Reforms to the prospectus regime include:</p> <ul style="list-style-type: none"> ▪ admission to trading: enhanced powers for the FCA to make rules specifying when a prospectus is required, including whether an overseas prospectus can be used for secondary listings. The FCA's rulemaking powers will also extend to other matters currently set out in the UK Prospectus Regulation including prospectus contents, whether a prospectus must be reviewed and approved by it prior to publication, and the manner and timing of publication; ▪ new public offerings regime: will include a general prohibition on public offers against which there will be exemptions instead of the requirement to produce a prospectus; ▪ 'necessary information' test: this will be retained as the basic standard of preparation for a prospectus (subject to certain amendments including clarification that necessary information may vary according to whether an offer of securities relates to a first-time admission or is a secondary issuance); ▪ forward-looking information: the threshold for liability for certain categories of forward-looking information in prospectuses will become a reckless standard; ▪ junior markets: admission documents published in line with relevant multilateral trading facility rules will be treated as a type of prospectus; ▪ private companies – public offers: a private company will be able to make a public offer of securities without a prospectus provided the offer is made through a platform operated by a firm specifically authorised for the purpose. The operation of such platforms will be a new regulated activity; and ▪ overseas companies – public offers: securities listed on certain designated overseas stock markets will be able to be offered into the UK using offering documents prepared according to the rules of the relevant overseas jurisdiction and market. The FCA will have appropriate powers to intervene to protect UK investors in exceptional circumstances. 	Ongoing	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Consultation on power to block listings on national security grounds</p> <p>Affects: potentially all companies seeking to list on UK public markets including SPACs</p>	<p>The government's initial consultation on the scope of a proposed new power to allow it to block a company's listings on national security grounds closed on 27 August 2021. While the government intends that the 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.</p> <p>This consultation precedes further technical consultation and legislation on the proposed power.</p>	Ongoing	Amber
<p>FCA to adapt ESMA guidelines on disclosure requirements under the Prospectus Regulation into Technical Note</p> <p>Affects: listed property companies</p>	<p>The FCA published Primary Market Bulletin 34 in June 2021 in which it proposed to adopt (with modifications) the European Securities and Markets Authority's guidance 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 in Q3 2021 REIT Horizon Scanner. 'Specialist issuer' includes property 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: Primary Market/TN/619.1. Comments on this (and other changes to the FCA's Knowledge Base) were 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"> ▪ 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 ESMA Prospectus Directive Q&A. ▪ 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. 	Ongoing	Green

Equity capital markets (continued)

Looking back (1)

Issues	Status	Key Timing	Impact
European Single Electronic Format (ESEF) reporting Affects: Main Market and Specialist Funds Segment	The AIC has updated its guidance regarding electronic reporting (available to members on the AIC website). Additionally, the FRC has published the results of a survey about how companies and service providers are preparing for ESEF reporting, and has provided a list of resources to help companies understand and implement the requirements. The FRC and FCA also wrote a letter (November 2021) to Chairs of relevant issuers setting out expectations on the quality of reports in XHTML. On 12 October 2021, the FRC Lab published a report on applying Disclosure Guidance and DTR 4.1.14, and ESEF.	Financial years beginning on or after 1 January 2021 for publication from 1 January 2022	Amber
ESG: FRC annual review of corporate governance reporting Affects: listed companies	On 25 November 2021, the FRC published its annual review of corporate governance reporting , which sets out the key findings from its review of a sample of FTSE 350 and Small Cap companies and how they have reported during the year under the UK Corporate Governance Code. The FRC states that the expectations set out in its 2020 review were not met in key areas, including substantive disclosures on board appointments, succession planning and diversity. Further, companies were not adequately supporting boilerplate disclosures and declaratory statements with examples, and companies should more clearly describe how they apply the Code's principles and explain any departures from it. This follows FRC guidance (February 2021) on how companies should report against the 2018 UK Corporate Governance Code.	Ongoing	Green
ESG: FRC support for ESG reporting challenges Affects: listed companies	On 7 July 2021, the FRC published a statement of intent which identifies areas where there are issues with effective reporting of ESG information, and outlines the FRC's planned actions in this area. The FRC intends to develop Codes, standards, guidance and expectations, and will build a system that is forward-looking and fit for purpose.	Ongoing	Green
ESG: Various guidance on climate-related reporting Affects: listed companies	In October 2021, the TCFD published its 2021 Status Report setting out developments in TCFD recommendation aligned disclosures since its 2020 review. On 28 October 2021, the FRC Lab published a report containing practical guidance to help premium listed companies comply with their TCFD reporting obligations. The FRC has also published: Reporting Framework Snapshots: Taskforce on Climate-related Financial Disclosure and Climate Scenario Analysis: Current Practice and Disclosure Trends: report . On 20 October 2021, the LSE published guidance for London-listed companies on the integration of climate-related disclosures in their financial reporting and on TCFD implementation.	Ongoing	Amber

Equity capital markets (continued)

Looking back (2)

Issues	Status	Key Timing	Impact
COVID-19: AGMs Affects: large companies holding AGMs	Companies expecting to hold a physical AGM with large numbers of physical attendees (500 or more) may need to consider the requirements of The Health Protection (Coronavirus, Restrictions) (Entry to Venues and Events) (England) Regulations 2021 which came into force on 15 December 2021.	Ongoing	Amber
COVID-19: Glass Lewis executive remuneration guidance Affects: listed companies	In November 2021, Glass Lewis updated its guidance on executive compensation during the pandemic. Briefly, the updated version removes specific references to fiscal years, and clarifies that it will apply throughout the course of the pandemic, particularly for companies and industries that continue to be affected. It is further clarifies that when assessing a board's decisions on executive remuneration, Glass Lewis will expect, among other things, overall lower outcomes than pre-pandemic levels (rather than lower outcomes than in the previous year) for all companies that continue to be affected by the crisis.	During the pandemic	Green
European common enforcement priorities for 2021 Affects: listed companies	On 29 October 2021, ESMA published its annual public statement on the priorities that EEA corporate reporting enforcers will consider when examining the 2021 annual financial reports of listed companies. This year's priorities include the impact of COVID-19 and climate-related matters.	Ongoing	Green

 TaylorWessing **2 | General corporate**

General corporate

Key developments in Q2 2022

- Remaining COVID-19 temporary insolvency measures (restrictions on winding up companies) will not be extended beyond 31 March 2022.
- Creation of Register of Overseas Entities holding UK land.
- Conflict in Ukraine – sanctions.
- In-scope large private companies will be required to make mandatory TCFD recommendations aligned disclosures for accounting periods starting on or after 6 April 2022.
- BEIS published a White Paper on corporate transparency and register reform setting out the government's final position on Companies House reform
- International Sustainability Standards Board published for consultation first drafts of disclosure standards, which will form part of the new Sustainability Disclosures Regime.

Issues	Status	Key Timing	Impact
Conflict in Ukraine - sanctions Affects: all businesses dealing with sanctioned persons	Details of the UK sanctions regimes are here and details of UK sanctions relating to Russia are here . See also section 3, Financial regulatory.	Ongoing	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Register of Overseas Entities – new requirement to register details of beneficial owners of UK property</p> <p>Affects: non-UK entities which own UK property</p>	<p>The Economic Crime (Transparency and Enforcement) Act 2022 (ECA 2022) was published on 15 March 2022. The legislation was fast-tracked through Parliament since its introduction on 1 March 2022, and has three main objectives:</p> <ul style="list-style-type: none"> preventing and combatting the use of land in the UK for money laundering purposes through new beneficial ownership register of overseas entities that own UK property (to be known as the Register of Overseas Entities) and held by Companies House (Part 1); reform of the Unexplained Wealth Order regime (Part 2); and the introduction of a new streamlined process for implementing sanctions against individuals (Chapter 2 Part 3). <p>Parts 1 and 2 will be brought into force by commencement regulations, which have not yet been published. The provisions relating to sanctions came into force on 15 March 2022.</p> <p>Under the new Register of Overseas Entities, entities who own UK property will need to register details of their beneficial owners. The ECA 2022 requires disclosure of the following (mirroring the PSC regime):</p> <ul style="list-style-type: none"> holding, directly or indirectly, more than 25% of the shares in the overseas entity; holding, directly or indirectly, more than 25% of the voting rights in the overseas entity; holding the right, directly or indirectly, to appoint or remove a majority of the board of directors of the overseas entity; having the right to exercise, or actually exercises, significant influence or control over the overseas entity; or where (a) trustees of a trust, or members of a partnership, unincorporated association or other entity, that is not a legal person under the law by which it is governed meet any of the conditions specified above (in their capacity as such) in relation to the overseas entity, and (b) a person has the right to exercise, or actually exercises, significant influence or control over the activities of that trust or entity. <p>The government has indicated that a second economic crime bill will be introduced to remedy some gaps / deficiencies. See also section 4, Real estate, planning and construction, for further commentary on the consequences for real estate transactions.</p>	When regulations come into force	Red
<p>COVID-19: Corporate Insolvency and Governance Act – insolvency measures not extended</p> <p>Affects: all companies</p>	<p>On 28 March 2022, the Insolvency Service confirmed that the remaining temporary insolvency measures which were due to expire on 31 March 2022, namely the restrictions on winding up companies, will not be extended (press release). For background, see previous versions of this scanner for further details.</p>	31 March 2022	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>COVID-19: GC100 consultation on hybrid and virtual meetings</p> <p>Affects: potentially all companies</p>	<p>On 28 January 2021, GC100 published a consultation paper proposing legislative changes to the current format for AGMs following 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.</p> <p>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.</p>	Ongoing	Amber
<p>Corporate reporting: FRC annual review</p> <p>Affects: all companies, in particular larger companies and listed companies</p>	<p>On 27 October 2021, the FRC published its annual review of corporate reporting for 2020/2021. This sets out the FRC's top ten areas where improvements to reporting are required in 2021/22. In particular, the FRC expects (among other things):</p> <ul style="list-style-type: none"> ▪ clear and sufficiently detailed explanations of significant judgements made so as to understand their financial reporting effects; ▪ information in the financial statements to be consistent with that reported in the rest of the annual report and accounts; ▪ material climate change policies, risks and uncertainties to be discussed in narrative reporting and appropriately considered and disclosed in the financial statements; ▪ information to meet the disclosure objectives of the relevant accounting standards, as well as the specific disclosure requirements; ▪ the strategic report to address the positive and negative aspects of the company's development, performance, position and future prospects openly without bias; and ▪ compliance with the specific Companies Act 2006 requirements around distributions. <p>The FRC also published its year-end bulletin of key corporate reporting matters for companies. This sets out the FRC's areas of focus for the coming year, which include climate-related risks and new disclosures, in particular how companies report against the new Taskforce for Climate-related Financial Disclosures (TCFD) recommendations; and judgement and uncertainty in the face of the impact of COVID-19.</p>	2021/2022 reporting	Amber
<p>Corporate reporting: FRC feedback on proposals for principles-based corporate reporting</p> <p>Affects: all companies, in particular larger companies</p>	<p>On 30 July 2021, the FRC published feedback on its consultation on proposals to replace the current corporate reporting system with a principles based framework. The FRC will now consider how best to develop some of its ideas taking into account the feedback received. For further details, see previous versions of this scanner.</p>	Ongoing	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>ESG: mandatory climate-change reporting</p> <p>Affects: large companies, listed companies and asset managers</p>	<p>For accounting periods starting on or after 6 April 2022, by virtue of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and equivalent LLP regulations, in-scope large private companies and LLPs (as well as publicly quoted companies – see section 1, Equity capital markets) will be required to make mandatory climate-related financial disclosures in line with the TCFD recommendations (for further details, see previous editions of this scanner).</p> <p>The disclosures are to be made in the 'non-financial and sustainability information statement' (NFSI statement) (which replaces the non-financial information statement) in the strategic report. Entities which are in-scope include:</p> <ul style="list-style-type: none"> ▪ Relevant Public Interest Entities – all UK companies that are currently required to produce a non-financial information statement, including UK companies with > 500 employees and transferable securities admitted to trading on a UK regulated market; ▪ UK registered companies with securities admitted to AIM with > 500 employees; ▪ UK registered companies not falling in the above categories but with > 500 employees and turnover of > £500 million; and ▪ LLPs with > 500 employees and turnover of > £500 million. <p>BEIS has published related guidance which covers the scope and timing of the NFSI statement requirements, the information to be included, and interaction of the NFSI statement requirements with other regulations and frameworks.</p> <p>In relation to company groups, which may be relevant to investment companies which hold properties via a number of subsidiaries, the BEIS guidance notes that companies are expected to report at group level, or at company level if not included in consolidated group reporting. Subsidiaries are not required to report separately where they are included within a consolidated group report of a UK parent that makes the required disclosures. If a parent company does not produce consolidated accounts, the scope criteria should be applied to the aggregated turnover and employee figures of the group headed by that parent. In the latter case, the relevant disclosures should relate to the parent entity, including how climate-related risks and opportunities may impact the value of the investment in those subsidiaries. A subsidiary of a parent which does not produce consolidated accounts, and which is within scope on an individual basis, should also provide climate-related disclosures in its individual accounts.</p> <p>In January 2022, the AIC also published guidance on regulatory developments in relation to sustainability obligations and investment companies (updated March 2022).</p>	6 April 2022	Red

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>ESG: gender and ethnicity pay reporting</p> <p>Affects: UK companies</p>	<p>In its policy paper 'Inclusive Britain: government response to the Commission on Race and Ethnic Disparities' (17 March 2022), the government confirmed that mandatory ethnicity pay gap reporting will not be introduced. However, it intends to publish guidance on voluntary ethnicity pay gap reporting in summer 2022.</p> <p>The Equal Pay Bill (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
<p>ESG: modern slavery: human trafficking statement</p> <p>Affects: large companies</p>	<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 its designated central registry. Ahead of the necessary legislative change to mandate this, the government encourages organisations to publish statements on the government-run modern slavery statement registry.</p> <p>Other measures following the Home Office's 2019 consultation on making transparency requirements and reporting processes clearer, and its September 2020 response, are awaited.</p>	Ongoing	Amber
<p>ESG: nature related reporting framework published for consultation</p> <p>Affects: the new framework is intended for use globally by corporates of all sizes.</p>	<p>On 15 March 2022, the Taskforce on Nature-related Financial Disclosures (TNFD) released its nature-related risk-management and disclosure reporting framework for consultation. The TNFD's disclosure recommendations align with the TCFD's disclosure recommendations, which it is hoped will lead to an integrated approach to both climate and nature-related risk reporting. The TNFD are aiming to release final recommendations in Q3 of 2023.</p> <p>For more detail see section 3, Financial Regulatory.</p>	Q3 2023	Green

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>ESG: new Sustainability Disclosure Requirements and net zero transition plans</p> <p>Affects: large companies, listed companies and asset managers</p>	<p>On 18 October 2021, HM Treasury published a policy paper 'Greening Finance: A Roadmap to Sustainable Investing' which includes phasing in over a number of years a new Sustainability Disclosure Requirements (SDR) framework. The new SDR framework will build on the UK's TCFD implementation and will cover different types of disclosure including corporate disclosures, and asset manager and asset owner disclosures.</p> <p>The new requirements for companies to make sustainability disclosures will comprise reporting against proposed international standards, as well as reporting environmental impact using a UK Green Taxonomy. The International Financial Reporting Standards (IFRS) Foundation has established the International Sustainability Standards Board (ISSB) to develop international; baseline reporting standards to form a core part of the SDR framework, and on 31 March 2022 the ISSB published exposure drafts of two IFRS Sustainability Disclosure Standards for consultation:</p> <ul style="list-style-type: none"> ▪ IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information; and ▪ IFRS S2 Climate-related Disclosures. <p>The consultation on the exposure drafts closes on 29 July 2022, and the ISSB aims to issue the new standards by the end of the 2022. The UK Green Taxonomy will set out the criteria which specific economic activities must meet to be considered environmentally sustainable and will create a shared understanding of what economic activities can be classed as 'green'.</p> <p>Regarding asset managers and asset owners that manage or administer assets on behalf of clients and consumers, the FCA has published a discussion paper (DP21/4) seeking views on proposed new requirements for disclosures as to how they take sustainability into account. The FCA plans to consult in Q2 2022.</p> <p>On 3 November 2021, the government confirmed that it would introduce mandatory requirements for asset managers, regulated asset owners and listed companies to publish transition plans that consider the government's net zero commitment or provide an explanation if they have not done so, and has provided guidance on what a transition plan is and what will be required (see HM Treasury Fact Sheet). The government intends to launch a high-level Transition Plan Taskforce to develop a gold standard for transition plans and associated metrics, which will report by the end of 2022. The government will expect firms to start publishing transition plans in 2023 (see Chancellor: UK will be the world's first net zero financial centre). The guidance confirms that the government is not requiring firms to adopt mandatory net zero targets.</p> <p>The SDR framework, UK Green Taxonomy and net zero transition plans will likely be subject to various consultations (see above regarding the ISSB reporting standards) and feedback statements which are expected in 2022. The policy paper indicates that, following primary legislation receiving Royal Assent, implementation will be carried out over three years.</p>	2022 and ongoing	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Corporate transparency and register reform: government White Paper</p> <p>Affects: all companies</p>	<p>On 28 February 2022, the government published White Paper: Corporate transparency and register reform. This follows its December 2020 consultations on: Reforms to the powers of the registrar; Implementing the ban on corporate directors; and Improving the quality and value of financial information on the UK companies register. For background, see previous editions of this scanner.</p> <p>The reforms to be carried forward into legislation include those set out below.</p> <ul style="list-style-type: none"> <p><i>New statutory powers and responsibilities for the Registrar</i></p> <p>These include a new statutory function for the Registrar to promote and maintain the integrity of the register (not specifically covered in the previous consultations) and a new power for the Registrar to query information that appears fraudulent or suspicious both pre- and post-registration (including in company accounts). It is also intended that the Registrar have wider powers to remove material from the register which impacts its integrity, power to change unauthorised registered office addresses and power to require delivery by electronic means. Companies House will also have the power to query a company name and change the company name to its number in certain circumstances. The government is also intending to separately take forward changes to the sensitive words and expressions regulations.</p> <p><i>Identity verification and other measures relating to directors, beneficial owners and agents</i></p> <p>Companies House is developing a digital service for identity verification which will link a person with an authorised identity document for submission of documents to Companies House. It is envisaged that all new and existing company directors (and equivalents for other registrable entities), Persons with Significant Control (PSCs), directors of overseas companies and anyone else submitting filings will be required to have a verified account at Companies House. There will also be a verification process for third-party agents.</p> <p>The government also intends to improve the usefulness of information held on the shareholders and PSCs of UK companies through introducing various requirements including, eg, for companies to record full names for shareholders in their registers, and for private companies (and traded companies where shareholders hold at least 5% of issued shares of any class) to provide a one-off full shareholder list (changes to which should be updated annually in a company's confirmation statement).</p> <p>A transition period will provide existing companies and other registrable entities a set amount of time to comply with the new requirements, following which failure to comply may attract criminal sanctions and civil liability.</p> <ul style="list-style-type: none"> <p><i>Increased data sharing powers</i></p> <p>These include the Registrar having the power to proactively pass on relevant information to law enforcement and other public and regulatory bodies when certain conditions are met. It will also have power to cross-reference data with data held by both public and some private bodies.</p> 	Ongoing	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Corporate transparency and register reform: government White Paper (cont.)</p> <p>Affects: all companies</p>	<ul style="list-style-type: none"> ▪ <i>Implementing the ban on corporate directors</i> A company will not be permitted to act as a corporate director unless all directors seeking appointment are natural persons and those natural person directors are, prior to the corporate director appointment, subject to an appropriate identity verification process. <p>The government makes clear that corporate directors may only be appointed if they have legal personality (i.e., they are able to function in business like a natural person), and that compliance should be extended consistently to all appointable entities including LLPs. Corporate directorships also will be restricted to entities registered in the UK.</p> <ul style="list-style-type: none"> ▪ <i>Quality and value of financial information on the register</i> Measures to improve the financial information on the register will include enhanced validation checks on financial information delivered to Companies House. They will also include the requirement for accounts to be filed in a digital format using the industry standard Inline Extensible Business Reporting Language (iXBRL) and for information to be fully tagged and machine readable. <p>The government will not to reduce the current time periods for filing of accounts (nine months after the end of the reporting year for a private company and six months for a public company) due to companies facing continued COVID-related challenges. However, it will make changes to CA 2006 to allow for regulations to be made to change filing periods for company accounts subject to consultation.</p> <p>The government also intends to simplify the framework of filing options available to small and micro companies by reducing these to just two: micro-entities and small companies. This removes the ability for small companies to file abridged and 'filleted' accounts and will mean that key information such as turnover and profit or loss is available on the register. Small companies will be required to file all constituent parts of their accounts, and so Companies House will receive a balance sheet, profit & loss account, and directors report (micro-entities will still have the option to not prepare or file a director's report).</p> <p>Directors of dormant companies will be required to file an eligibility statement with their accounts in which they confirm that the company is not trading and meets the criteria for filing dormant accounts.</p> <p>The Government will explore options to enable companies to file their financial information once a year with government, instead of filing different elements of information with each department that requires it, at various times.</p>	Ongoing	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Corporate transparency and register reform: government White Paper (cont.)</p> <p>Affects: all companies</p>	<ul style="list-style-type: none"> ▪ <i>No changes to requirement to keep and maintain company registers</i> The government is considering whether the register regime should be updated, in particular to make any changes to the requirement for a company to hold its own register of directors (and other registers). It is also considering whether any changes are required to the election regime introduced by the Small Business, Enterprise and Employment Act 2015, under which private limited companies have the option to hold information normally kept in their own statutory registers at Companies House. ▪ <i>Privacy mechanisms intended to prevent abuse of personal information on the register</i> Measures will be introduced to protect personal information and sensitive addresses, as well as to enhance the availability of information on dissolved companies. 	Ongoing	Amber
<p>Consultation on audit and corporate governance reform</p> <p>Affects: all companies</p>	<p>On 18 March 2021, BEIS published a consultation paper on restoring trust in audit and corporate governance (closed 8 July 2021). A response is awaited. Key proposals include:</p> <ul style="list-style-type: none"> ▪ FRC transition to Audit, Reporting and Governance Authority (ARGA) – new powers and functions placed on a statutory footing – aimed to be functioning by 2023/2024 (FRC Three Year Plan and Budget 2022 to 2025 (6 April 2022)) including: <ul style="list-style-type: none"> ▪ new competition powers, increased corporate reporting review function, oversight of FTSE 350 audit committees, enforcement powers for corporate reporting duties of directors, and new power to order amendments to company reports directly. ▪ For directors: <ul style="list-style-type: none"> ▪ New duties relating to internal controls, risk management and reporting on anti-fraud measures. ▪ Clawback of bonuses in the event of collapse or for serious director failings within two years of the award. ▪ Enhanced ARGA powers to investigate and enforce breaches of duty and misconduct relating to corporate reporting and audit. ▪ Stronger disclosure and attestation requirements for listed companies relating to dividends and capital maintenance, including: <ul style="list-style-type: none"> ▪ ARGA will have responsibility for defining 'realised profits' and 'realised losses'. ▪ Enhanced legal status and enforceability of the distributable profits definition in s 853 CA 2006. ▪ A requirement for companies to disclose total (or 'known') distributable reserves. ▪ 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. ▪ A requirement for a formal directors statement on the legality of proposed dividends and the effect on future solvency. ▪ New requirements for premium listed companies to publish (with the requirements extending to other PIEs two years later): <ul style="list-style-type: none"> ▪ 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. ▪ An annual resilience statement on mitigation of risk, consolidating and building on existing going concern and viability statements. <p>Other proposals relating to auditors and the audit market are outside the scope of this scanner.</p>	Ongoing	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Companies House published Registrar's Rules: Documents Delivered to the Registrar in Electronic Form 2022</p> <p>Affects: all companies</p>	<p>On 21 January 2022, Companies House published Registrar's Rules: Documents Delivered to the Registrar in Electronic Form 2022 (which replace the 2012 version). These new Rules apply to any document delivered to the Registrar in electronic form on or after 21 January 2022. The Rules set out requirements regarding the following services offered by Companies House: WebFiling; software filing; shared accounts filing services; and CHS (the unified service which will replace many of the online services previously offered by Companies House). Although legislation identifies the registrar's rules, and they are available on the Companies House website, they can often be overlooked. However, it is always advisable to consult the various sets available in any given case.</p> <p>Also in January 2022, Companies House announced (press release) that its Companies House Direct and WebCheck services will close later in 2022.</p>	Ongoing	Amber
<p>M&A/investment: National Security and Investment Act 2021 comes into force</p> <p>Affects: all companies</p>	<p>On 4 January 2022, the National Security and Investment Act 2021 (NSIA) came into force expanding the government's powers to scrutinise, and to intervene in, certain acquisitions and investments on national security grounds. The new powers replace those in the Enterprise Act 2002 and, in brief, are triggered where control of a 'qualifying entity' or 'qualifying asset' (including <u>land</u> and tangible moveable property) occurs in circumstances where there is possible risk to national security. For further detail, see the Q1 2022 edition of this scanner.</p>	Ongoing	Amber
<p>Consultation on non-compete clauses</p> <p>Affects: UK employers and employees</p>	<p>In December 2020, the government consulted 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. For further detail, see previous versions of this scanner.</p>	Ongoing	Amber
<p>Stamp tax reform</p> <p>Affects: all companies with shares</p>	<p>On 21 July 2021, the government published its response to its consultation 'Modernisation of Stamp Taxes on Shares Framework' which looked at the principles and design of a new stamp duty and stamp duty reserve tax regime. As a result of this, the government now plans to explore the feasibility and implications of the key priority areas for change identified by respondents, including a single self-assessed tax on shares, territorial scope and digitisation.</p>	Ongoing	Green

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Dormant Assets scheme extended to wider range of financial assets</p> <p>Affects: potentially traded public companies and CIS</p>	<p>On 24 February 2022, the Dormant Assets Bill received Royal Assent, becoming the Dormant Assets Act 2022. The Act extends the scope of the Dormant Assets 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. The provisions of the Act will come into force on a day appointed by the Secretary of State.</p>	Ongoing	Green
<p>Corporate re-domiciliation</p> <p>Affects: all foreign-incorporated companies</p>	<p>On 27 October 2021 BEIS, HMRC and HM Treasury published a consultation seeking views on their proposal to introduce a corporate re-domiciliation regime which will enable overseas companies to change their places of incorporation to the UK while maintaining their legal identities as corporate bodies. Comments were requested by 7 January 2022.</p>	Ongoing	Green
<p>Law Commission law reform programme for 2021</p> <p>Affects: all companies</p>	<p>The Law Commission's consultation on its 14th programme of law reform closed 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"> ▪ 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. ▪ Reviewing areas of legislation most affected by Brexit and potentially reforming certain areas of retained EU law. <p>The Law Commission also intends to publish a paper setting out options for reform of the corporate criminal liability regime in early 2022. This follows the publication of a discussion paper (June 2021) which sought views on whether, and how, the law relating to corporate criminal liability could be improved to appropriately capture and punish criminal offences committed by corporations and their directors or senior management.</p>	2022	Green

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Late payment practices</p> <p>Affects: large companies</p>	<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 response to its 2018 call for evidence on tackling late payment).</p> <p>On 19 January 2021, the government announced that it intends to reform the voluntary Prompt Payment Code to encourage large companies to pay smaller suppliers in time. In particular, finance directors and CEOs must now personally sign the code so that responsibility for payment practices is taken at the highest level.</p> <p>On 17 November 2021, BEIS published a call for evidence in relation to its statutory review of the Reporting on Payment Practices and Performance Regulations 2017. The Regulations introduced a requirement for qualifying companies (i.e. large companies under s 465(3) CA 2006) and LLPs to publicly report twice yearly on their payment practices on a government-provided web service. The review aims to assess whether the Regulations are meeting their objectives. The closing date for responses is 4 February 2022 and the government's report on its review must be published before 6 April 2022.</p>	Ongoing	Green
<p>Dematerialisation of shares</p> <p>Affects: all companies whose shareholders hold shares in paper form</p>	<p>The government is working with industry, regulators and shareholders to determine the best way to convert shares which are still held in paper form into electronic form. This follows a government policy paper on various regulatory reforms post-Brexit published in September 2021.</p>	Ongoing	Green

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3 | Financial regulatory

Financial regulatory

Key developments in Q1 2022

- Conflict in Ukraine: FCA web page
- PRIIPs – amendments to Regulatory Technical Standards
- Changes to MiFID II research rules
- Proposed amendments to AIFMD
- Cross-border distribution of investment funds: useful information for non-EEA AIFMs of non-EEA AIFs
- ESG: final report on a social taxonomy and first nature-related financial disclosure framework

Issues	Status	Key Timing	Impact
Conflict in Ukraine: FCA web page Affects: all FCA regulated firms	The FCA has published a web page tracking the statements it has made in relation to the conflict in Ukraine and providing further information for firms in relation to operational and cyber resilience, financial sanctions and market abuse. See also section 2, General corporate.	Ongoing	Red

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>PRIIPs – amendments to Regulatory Technical Standards</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 25 March 2022, the FCA published policy statement PS22/2. This statement summarises the feedback to consultation paper CP21/23 on the UK PRIIPs regime, which we covered in our UK REIT Horizon Scanner Q1 2022 (see page 36).</p> <p>The changes remove information from the Key Information Document (KID) about the performance of certain products which can be misleading for consumers and will allow more informed investment choices for those buying without financial advice.</p> <p>Firms have until 31 December 2022 to implement the changes. The FCA has also given more clarity on how it expects firms to construct narrative descriptions of performances within KIDs.</p>	Ongoing	Red
<p>Changes to MiFID II research rules</p> <p>Affects: small and mid-cap REITs</p>	<p>In its policy statement PS21/20, published on 30 November 2021, the FCA announced its final rules on changes to the research rules for investment firms. The rule changes intend to improve the availability of research on SME firms by creating an exemption to the inducement rules so that the bundling of research and execution fees will be permitted for research on small and mid-cap listed companies with a market capitalisation below £200m. The rules came into force on 1 March 2022.</p> <p>In its quarterly consultation paper CP22/4 (which closed for comments on 11 April 2022), the FCA has proposed that the same exemption is made available to collective portfolio managers.</p>	Ongoing	Amber

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>Proposed amendments to AIFMD</p> <p>Affects: REIT managers when marketing REITs into the EEA</p>	<p>On 25 November 2021, the EU Commission published a proposal for a Directive to amend certain aspects of the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (AIFMD). For UK REIT managers, the key amendments to be aware of are changes to the investor transparency and supervisory reporting requirements under Articles 23 and 24 of AIFMD:</p> <p><i>Article 23</i></p> <p>As part of their pre-contractual disclosures to investors, AIFMs will be required to disclose details of fees that will be borne by the AIFM or its affiliates. AIFMs will also need to notify investors periodically of (a) all direct and indirect fees and charges that were directly or indirectly charged or allocated to the AIF or to any of its investments; and (b) details of any parent company, subsidiary or special purpose entity established in relation to the AIF's investments by the AIFM, the staff of the AIFM or the AIFM's direct or indirect affiliates.</p> <p><i>Article 24</i></p> <p>In their reporting to national competent authorities, AIFMs will be required to disclose 'all instruments' in which it is trading, rather than the 'main instruments' in which it is trading and on the 'exposures' of each of the AIFs it manages, rather than the 'principal exposures and most important concentrations' of each of the AIFs it manages. ESMA will publish new technical standards to reflect these changes in reporting templates.</p> <p>The Council of the EU and the European Parliament are now considering the legislative proposal. Member States will be expected to implement the Directive within 24 months after it is published in the Official Journal.</p>	2024-2025	Amber
<p>Cross-border distribution of investment funds: useful information for non-EEA AIFMs of non-EEA AIFs</p> <p>Affects: REIT managers when marketing REITs into the EEA</p>	<p>ESMA has published on its website hyperlinks to the web pages of competent authorities, which set out complete and up-to-date information on the applicable national laws, regulations and administrative provisions relating to the marketing requirements for AIFs. The information hyperlinked includes (where relevant) how the regime applies to non-EEA AIFMs of non-EEA AIFs.</p>	Ongoing	Amber

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>Final report on a social taxonomy</p> <p>Affects: REITs and REIT managers</p>	<p>On 28 February 2022, the EU Platform on Sustainable Finance published its Final Report on Social Taxonomy. This report proposes a structure for a social taxonomy with regards to sustainable finance and sustainable governance.</p> <p>The social taxonomy adopts certain aspects from the environmental taxonomy such as the structure of the development of social objectives.</p> <p>The proposed taxonomy is made up of three social objectives: decent work (including for value-chain workers), adequate living standards and wellbeing for end-users, and inclusive and sustainable communities and societies. Unlike the environmental taxonomy, the social taxonomy introduces sub-objectives which aim to address different aspects of the three social objectives. For example, the sub-objectives may emphasise social rights such as the right to food, health, housing, and education.</p> <p>The European Commission will now analyse the report.</p>	Ongoing	Green
<p>Taskforce on Nature-related Financial Disclosures – proposed disclosure framework released</p> <p>Affects: REITs and REIT managers</p>	<p>The Taskforce on Nature-related Financial Disclosures (TNFD) is seeking feedback from industry on the first version of its disclosure framework (TNFD Framework), which it published on 15 March 2022.</p> <p>The TNFD was formally launched in June 2021 with support from a wide range of corporate, financial, governmental, and supranational organisations.</p> <p>Building on the success of the taskforce on Climate-Related Financial Disclosures (TCFD), it seeks to deliver a risk management and disclosure framework for organisations to report and act on evolving nature-risks, in order to support a shift of global financial flows away from nature-negative outcomes towards nature-positive outcomes.</p> <p>The first version of the TNFD Framework is made up of three elements:</p> <ul style="list-style-type: none"> • An outline of fundamental concepts and definitions for understanding nature that the TNFD recommends market participants use in their assessment and disclosure of nature-related risks and opportunities. • Draft disclosure recommendations for nature-related risks and opportunities. These are aligned with the TCFD guidance. • A "beta" version of guidance for companies and financial institutions on how to approach the integrated assessment of nature-related risk and opportunity. <p>Market participants and other stakeholders are invited to provide comments on the draft TNFD Framework through an interactive online platform. The next versions of the TNFD Framework are expected to be released through 2022 and 2023, in time for the launch of the final recommendations in September 2023.</p>	Ongoing	Green

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
AIC ESG and sustainability guidance (for AIC members only) Affects: REITs, REIT managers, REIT advisers	The AIC has published guidance on recent regulatory developments relating to Environmental, Social and Governance and sustainability considerations, which includes information on the following topics: climate-related disclosures by AIFMs, sustainability product claims and labelling, obligations on intermediaries, UK Taxonomy and ESG ratings.	Ongoing	Amber

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>FCA policy statement on TCFD-aligned climate related disclosure requirements</p> <p>Affects: REIT managers with AUM over specified thresholds</p>	<p>On 17 December 2021, the FCA published a policy statement (PS21/24) confirming final rules and guidance to promote better climate-related financial disclosures by asset managers and asset owners.</p> <p>Asset managers, which includes UK AIFMs, must now disclose how they take climate-related risks and opportunities into account in managing investments and will also be required to make disclosures about the climate-related attributes of their products.</p> <p>The rules are being applied in two implementation phases:</p> <ul style="list-style-type: none"> Phase 1 applies from 1 January 2022 to asset managers with AUM over £50 billion. The first public disclosures in line with the FCA requirements must be made by 30 June 2023. Phase 2 applies from 1 January 2023 to asset managers with AUM over £5 billion. The deadline for disclosures for these asset managers will be 30 June 2024. <p>The policy statement acknowledges the importance of the International Sustainability Standards Board, which was launched at COP26, and IOSCO's recommendations on sustainability-related practices, policies, procedures and disclosure in asset management, which was published in November 2021.</p>	Ongoing	Red

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4 | Real estate, planning and construction

Real estate, planning and construction

Key developments in Q1 2022

- Creation of a Register of Overseas Entities holding UK land
- Return to 'normal' for the insolvency regime

Issues	Status	Key Timing	Impact
<p>Building Safety Bill</p> <p>Affects: Investors, owners and developers of higher risk buildings</p>	<p>The Building Safety Bill was introduced to Parliament on 5 July 2021 together with explanatory notes, draft regulations and other supporting documents to assist understanding of the Bill. Since then the Department for Levelling Up, Housing & Communities and the HSE have continued to publish information on certain aspects of the Bill which will need to be implemented via secondary legislation, or formal guidance. This included a number of fact sheets, further draft regulations, Gateways 2 and 3, the HSE approach to safety cases and an overview of the golden thread policy.</p> <p>The Bill is now in the House of Lords, Report stage. Royal Assent is expected around June 2022. 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. The provisions dealing with the extension of limitation periods (see below) are expected to come into effect 2 months after Royal Assent.</p> <p>The Building Safety Bill and associated legislation will introduce a new more stringent 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 proposes to extend the time limits to bring claims under s1 of the Defective Premises Act 1972 by extending the limitation period from 6 to 30 years, which is intended to apply retrospectively; with a 15 year prospective limitation period. Separately the Bill will introduce a new section 2A of the DPA with a limitation period of 15 years; and extend limitation under s 38 of the Building Act 1984 for breach of Building Regulations to 15 years.</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>June 2022</p>	<p>Red</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Building Safety Bill (cont'd)</p> <p>Affects: Investors, owners and developers of higher risk buildings</p>	<p>The Bill introduces a system of Gateways for the construction of new higher-risk buildings in England. The Town and Country Planning (Development Management Procedure) (England) Order 2015 (as amended) means that Gateway One requirements, such as the requirement for Fire Safety Statements, are in effect as from 1 August 2021.</p> <p>Recent Government amendments to the Bill include the removal of the role of the Building Safety Manager in the occupation phase of higher-risk buildings, and there are additional leaseholder protections with regard to service charges and payments for remediation of cladding defects. Additionally, proposed amendments provide powers to enable remediation orders to be made to compel landlords to pay for remediation in residential buildings over 11 metres, with provisions to look at associated persons to make contributions, and powers to order associated persons of insolvent landlords to make contributions. There are also new proposed powers to block developers and product manufacturers who refuse to contribute to cladding remediation costs by refusing planning permissions/building control sign off in England.</p> <p>An update on the progress of discussions between the Government and developers as to progress regarding public commitments to make financial contributions to remediate unsafe cladding on 11 – 18 metre residential buildings is expected shortly.</p> <p>See: Building Safety Bill - GOV.UK (www.gov.uk) See: Letter from the DLUHC Secretary of State to the residential property developer industry (publishing.service.gov.uk)</p>	<p>March 2022</p>	<p>Red</p>
<p>Fire Safety Act 2021</p> <p>Affects: Investors, owners, managers and developers of residential buildings</p>	<p>The Fire Safety Act 2021 received Royal Assent on 29 April 2021.</p> <p>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 .</p> <p>Section 1 will come into force on a date to be determined by the Secretary of State for England but came into force in Wales on 1 October 2021.</p>	<p>TBC</p>	<p>Red</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Coronavirus COVID-19 temporary statutory interventions for Real Estate</p>	<ul style="list-style-type: none"> The temporary restrictions on the winding up of companies were lifted on 31 March 2022. This means the legal regime governing insolvency has now returned to its pre pandemic approach. The new Commercial Rent (Coronavirus) Act has been 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. Click here for an update on the options now open to landlords for recovering commercial rent arrears. 	In force 1 April 2022	Red
<p>Economic Crime (Transparency and Enforcement) Act 2022</p> <p>Affects: Overseas owners of UK property</p>	<p>The Economic Crime (Transparency and Enforcement) Act 2022 was given Royal Assent on 15 March 2022. Beneficial owners of non-UK companies that own UK property must now register on a publicly accessible register at Companies House. A non-UK company which fails to register will be unable to sell, charge or lease the land.</p> <p>The regulations stipulating when the new rules will come into force are still awaited. Clarification on the operation of the new rules is awaited from both HM Land Registry and Companies House.</p> <p>See: Register of Overseas Entities holding UK land</p>	Act passed on 15 March 2022. Regulations awaited.	Red

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
Residential Property Developer Tax (RPDT) Affects: large residential property developers	The rate of the RPDT to be introduced from 1 April 2022 has been confirmed at 4% on developers' profits derived from UK residential development which exceed £25m per annum. For further details see section 5, Tax.	1 April 2022	Red
Land Control Affects: all those with options	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. 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. 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.	Consultation closed on 30 October 2020 MHCLG response awaited	Amber
Planning For the Future – White Paper Affects: investors and developers	Government published its White Paper – Planning for the Future on 6 August 2020. Key proposals include: <ul style="list-style-type: none"> ▪ Local plans are to be simplified and 3 categories of land to be identified (growth, renewal and protect) ▪ Greater Digitisation to simplify general population engagement ▪ Emphasis on Sustainability ▪ s106 and Community Infrastructure levy to be replaced by a national single infrastructure levy. 	Consultation closed on 30 October 2020 MHCLG response awaited	Amber

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Minimum energy efficiency level for rented property in England and Wales</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: The Private Rented Property minimum standard – landlord guidance documents</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 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>The next key date is 1 April 2023</p>	<p>Red</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Future Homes Standard and Future Buildings Standard</p> <p>Affects: developers, owners and occupiers and the construction supply chain</p>	<p>Changes to the Building Regulations to introduce 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 dwellings and new buildings (other than dwellings) were introduced on 15 December 2021.</p> <p>The changes also will introduce an updated Approved Document O in England to mitigate overheating in new residential buildings.</p> <p>These changes follow the consultation on the Future Homes Standard and Future Buildings Standard and will provide an uplift in building regulations to improve energy efficiency. Further tightening of the regulations is expected when the Future Homes Standard and Future Buildings Standard are introduced in 2025; and further consultation around that is anticipated in 2023.</p> <p>The amended Building Regulations and updated Approved Document L, updated Approved Document F and Approved Document O will come into force on 15 June 2022.</p> <p>The Building Regulations etc. (Amendment) (England) Regulations 2021 (legislation.gov.uk) Approved Document L, Conservation of fuel and power, Volume 1: Dwellings (publishing.service.gov.uk) Approved Document L, Conservation of fuel and power, Volume 2: Buildings other than dwellings (publishing.service.gov.uk) Approved Document F: Volume 1 applies to dwellings (publishing.service.gov.uk) Approved Document F: Volume 2 applies to buildings other than dwellings (publishing.service.gov.uk) Overheating: Approved Document O - GOV.UK (www.gov.uk)</p>	15 June 2022	Amber
<p>New Homes Quality Code</p> <p>Affects: developers of new residential homes</p>	<p>The New Homes Quality Code was published on 17 December 2021 and seeks to introduce a new code of practice to raise standards for the buying and selling of new homes and to protect customers.</p> <p>The Code will require the registration of developers with the New Homes Quality Board by 31 December 2022 and a commitment to adopt and agree to follow the New Homes Quality Code and to be subject to a New Homes Ombudsman Scheme. Failure to meet the required standards can result in a range of sanctions, including removal from the register of Registered Developers.</p> <p>The Code is intended to apply to all developers in Great Britain and apply in England, Scotland and Wales; and ultimately is intended to apply on a UK wide basis.</p>	January – December 2022	Amber

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Non-domestic buildings minimum energy efficiency standards</p> <p>Affects: developers, owners and occupiers and the construction supply chain</p>	<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. A Consultation on how this target might be met closed on 9 June 2021. The proposals include:</p> <ul style="list-style-type: none"> ▪ 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) ▪ An interim minimum energy efficiency standard of an EPC rating of C by 2027. ▪ A combined exemptions and compliance database to facilitate enforcement. ▪ 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. <p>See: Consultation</p>	<p>Consultation closed 9 June 2021</p> <p>Response awaited.</p>	<p>Amber</p>
<p>Potential introduction of performance-based ratings system for large commercial and industrial buildings</p> <p>Affects: developers, owners and occupiers and the construction supply chain</p>	<p>A Consultation relating to the potential introduction of a performance-based ratings system for large commercial and industrial buildings in England and Wales closed on 9 June 2021. The Government is still analysing feedback but broadly since these buildings account for a third of UK building emissions there is growing appreciation that there is little correlation between the EPC rating and a building's actual energy performance. The scheme would first apply to commercial and industrial buildings above 1,000m² in England and Wales (although this will be reviewed as different sectors come on board), with mandatory disclosure of ratings by 2023-24.</p> <p>Headline notes:</p> <ul style="list-style-type: none"> ▪ What exactly such an operating rating should cover is uncertain (waste/water etc?) but no exemptions are proposed save for reasons related to national security. ▪ It is acknowledged that there is work to be done on the interaction between MEES and any new performance-based scheme, which could both complement and/or replace MEES. This might replace the need to generate an EPC on sale, for example. ▪ It is acknowledged that greater clarity is required for older (listed) and mixed use buildings, and the government recognises the need to split responsibility for compliance more clearly between landlord and tenant. <p>Conclusion – it is clear that building owners and occupiers must work to increasing standards in energy efficiency by the end of the decade as a minimum. It remains to be seen whether a new (additional) performance based rating will introduce unnecessary complexity, and whether it would simply be easier to leave building owners to comply with MEES.</p> <p>See: Consultation and the MEES related one in the item above</p>	<p>Consultation closed 9 June 2021</p> <p>Response awaited.</p>	<p>Amber</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Electric Vehicle Charging Consultation</p> <p>Affects: property owners, managers and investors</p>	<p>The Government responded to the EV Charging Consultation on 22 November 2021. On 15 December, the Government published new Building Regulations and Statutory Guidance in Approved Document S dealing with installation of EV charging points. The Regulations and Approved Document S will come into effect on 15 June 2022.</p> <p>In summary, the Regulations require:</p> <ul style="list-style-type: none"> ▪ Every new home, including those created from a change of use, with associated parking within the site boundary, will need to have an EV charge point; ▪ Residential buildings undergoing major renovation, which will have more than 10 parking spaces within the site boundary after the renovation is complete, will need to have at least one EV charge point for each dwelling with associated parking within the site boundary, and cable routes in all spaces without charge points; ▪ All new non-residential buildings, with more than 10 parking spaces within the site boundary of the building, will need to have at least one EV charge point; and cable routes for one in five of the total number of spaces; ▪ All non-residential buildings, undergoing a major renovation, which will have more than 10 parking spaces within the site boundary after the renovation is complete, will need a minimum of one EV charge point and in addition to this, cable routes for one in five spaces. <p>New policy is expected for EV charge points for existing non-residential buildings where there are more than 20 parking spaces.</p> <p>The Building Regulations etc. (Amendment) (England) (No. 2) Regulations 2021 (legislation.gov.uk)</p> <p>Infrastructure for charging electric vehicles: Approved Document S - GOV.UK (www.gov.uk)</p>	<p>15 June 2022</p>	<p>Amber</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Unfair Practices in the Leasehold Market – MHCLG Review and the Law Commission's Residential Leasehold and Commonhold Project</p> <p>Affects: Residential and mixed-use property owners, managers and investors</p>	<p>Following the Law Commission's review of the Leasehold market, on 11 January 2022 Government announced a new consultation for homeowners and the housing industry to give their views on proposals from the Department for Levelling Up, Housing and Communities to allow more leaseholders in mixed-use buildings to take control and ownership of their properties. Previously where commercial space equalled 25% or more of the total floorspace, residential leaseholders were unable to exercise the right to manage or buy the building outright. The proposals increase this limit to 50%, which whilst enabling leaseholders to have more control over how shared facilities are run and the final say on building maintenance costs may create issues for commercial landlords seeking to run a mixed use estate.</p> <p>Other proposals are designed to make it cheaper for leaseholders to buy the building, creating a mandatory buy back for the commercial owner of the commercial spaces. Together with the other Government proposals (set out below) around the abolition of 'marriage value' and the introduction of an online calculator with prescribed calculation rates) leaseholders may find it far more attractive to enfranchise.</p> <p>Government is also seeking views from Shared Ownership providers and tenants on the use of commonhold and how decision making could work going forward.</p> <p>Government previously announced that legislation would be brought forward to implement recommendations of the Law Commission to:</p> <ul style="list-style-type: none"> ▪ Remove the marriage value concept from the calculation of premiums. ▪ Introduce an online calculator to allow leaseholders to calculate the cost of buying their freehold or extending their lease. ▪ Ensure that the existing proposal for zero ground rents for new leasehold properties be expanded to include leasehold retirement properties. ▪ Establish a Commonhold Council to reinvigorate commonhold. <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>The Leasehold Reform (Ground Rent) Act 2022 received Royal Assent on 8 February 2022. When the Act is in force (rumoured to be 30 June 2022) it will limit the ground rent chargeable on most new long residential leases to one peppercorn per year, effectively restricting ground rents to zero financial value. It will also prohibit payment of administration charges in relation to peppercorn rents.</p> <p>See further: What does the Leasehold Reform (Ground Rent) Bill mean for leaseholders?</p>	<p>Consultation closes on 22 February 2022</p> <p>To be confirmed: 30 June 2022?</p>	<p>Amber</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
Electronic Communications Code – Product Security and Telecommunications Bill	<p>The Bill amends to the Electronic Communications Code (Code) with the aim of fostering more collaborative and quicker negotiations between mobile network operators and landowners with regards to installing, using, or upgrading telecoms infrastructure. These legal reforms ‘support the government’s ambitious plans to achieve the nationwide rollout of future-proof gigabit-capable broadband and 5G networks as soon as possible’. The measures:</p> <ul style="list-style-type: none"> ▪ encourage collaborative negotiations for agreeing new - and renewing expired - agreements by introducing a requirement for telecoms operators to consider the use of Alternative Dispute Resolution (ADR) rather than legal proceedings in cases where there are difficulties in agreeing terms. Operators will also be required to explain the availability of ADR as an option in their notices to landowners ▪ introduce limited rights for operators to upgrade and share apparatus installed prior to the reforms to the Code made in 2017 in specific circumstances where there will be no impact on private land ▪ introduce provisions ensuring expired agreements are renewed consistently, and on similar terms to those for new agreements, throughout the whole UK, and allowing operators who already have apparatus installed under an expired agreement to either renew that agreement, or request a new one, and ▪ introduce new provisions to enable operators to obtain Code rights over certain types of land quickly in circumstances where a landowner does not respond to repeated requests for Code rights. <p>The measures will apply to all parties involved in requests and agreements relating to rights regulated by the Code. This will include telecommunications operators, infrastructure providers, landowners and occupiers, as well as professionals such as land agents and legal representatives.</p>	Second reading of the bill in the House of Commons awaited	Amber



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| 5 | Tax

Tax

Key developments in Q1 2022

- The Finance Bill 2022, which contains legislation for the new Residential Property Developer Tax and targeted changes to the UK REITs regime, received Royal Assent on 24 February 2022
- The government has announced that a new workstream will be established as part of its review of the UK funds regime to consider further reform of the UK REITs regime

Issues	Status	Key Timing	Impact
<p>Finance Act 2022 - Residential Property Developer Tax</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>Legislation for the RPDT is contained in Part 2 of the Finance Act 2022. Key features include:</p> <ul style="list-style-type: none"> ▪ Commencement: RPDT applies to profits arising from residential property development in accounting periods ending on or after 1 April 2022. ▪ Duration: the tax is intended to be time-limited, aiming to raise £2 billion over 10 years (although no 'sunset' clause is included). ▪ Scope: RPDT applies to the largest corporates profiting from UK residential property development. ▪ Tax base: the RPDT is effectively a corporation tax 'surcharge', with profits from UK residential property development activities calculated in line with existing corporation tax rules (but without deduction for interest and other funding costs). Post-commencement RPDT losses may be carried forward and set against RPDT profits. ▪ Annual allowance: a group-wide allowance of £25 million applies, although unused allowance may not be carried back or forward ▪ Rate: 4%. ▪ Definition of 'residential property': largely replicates current statutory definitions but extended to include future residential use (ie where planning permission has been sought or granted); communal dwellings such as hotels, care homes and student accommodation are excluded from RPDT but retirement homes are not. ▪ Development activities: the legislation provides a non-exhaustive list of activities including dealing, designing and constructing, but also seeking planning permission, marketing and managing; the build-to-rent sector is out of scope (but to be kept under review). ▪ Anti-avoidance: rules on anti-forestalling are included. 	<p>Legislation comes into force on 1 April 2022</p>	<p>Red</p>

Tax (continued)

Issues	Status	Key Timing	Impact
<p>Legislation for targeted changes to UK REITs rules, and the wider review of the UK funds regime</p> <p>Affects: UK REITs</p>	<p>The Finance Act 2022 (section 15 and schedule 3) contains targeted changes to the UK REITs regime to make the UK a more competitive location for holding real estate assets. In particular:</p> <ul style="list-style-type: none"> Removing the requirement for REIT shares to be admitted to trading on a recognised stock exchange in cases where certain types of institutional investor hold at least 70% of the ordinary share capital in the REIT. Amending the definition of an overseas equivalent of a UK REIT so that the overseas entity itself, rather than the overseas regime to which it is subject, needs to meet the equivalence test. Removing the 'holders of excessive rights' charge where property income distributions (PIDs) are paid to investors entitled to gross payment. Amending the rules requiring at least 75% of a REIT's profits and assets to relate to property rental business (the 'balance of business test') to disregard non-rental profits arising because a REIT has to comply with certain planning obligations, and to ensure items specified are disregarded in all parts of the test. Introducing a new simplified balance of business gateway test. <p>The government is also considering further changes to the UK REITs rules as part of a wider review of the UK funds regime. In January 2021 a call for input was published which (among other things) sought views on the barriers and complexities that exist within the UK REITs regime. Proposals under consideration included:</p> <ul style="list-style-type: none"> Removing the requirement for REITs to be subject to both the Corporate Interest Restriction test and the interest cover test. Amending the three-year development rule. Removing the requirement for a REIT to hold at least three properties, and allowing REITs to hold a single property to make the UK regime more attractive to investors. Amending the rules so that where a REIT holds overseas property in a UK company and suffers tax in the overseas jurisdiction, withholding tax should not be applied when paying relevant PIDs to investors. <p>In its response to the call for input (published in February 2022), the government has indicated that it will establish a new workstream as part of the UK funds regime review to further evaluate these options. This workstream will determine which of the specific proposals in the call for input will be taken forward and set out a timetable, as well as considering any wider suggestions.</p>	<p>The targeted changes to the UK REITs rules included in the Finance Act 2022 take effect from 1 April 2022</p> <p>Further reforms will be included in the next Finance Bill (at the earliest)</p>	<p>Red</p>

Tax (continued)

Issues	Status	Key Timing	Impact
<p>Super-deduction and special rate first year allowances for capital allowances and future plans</p> <p>Affects: REITs investing in capital expenditure</p>	<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> <ul style="list-style-type: none"> ▪ 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>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> <p>At Spring Statement 2022, it was announced that the government is considering reforms to best support future business investment ahead of April 2023 (when the temporary super-deduction and special rate first year allowance end). A confirmation of future plans is expected at Autumn Budget 2022.</p>	<p>Applies to expenditure incurred between 1 April 2021 and 31 March 2023</p> <p>Autumn Budget 2022 – government to announce replacement for temporary super-deduction and special rate first year allowance</p>	<p>Amber</p>



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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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