

REITs – Tax consequences for shareholders

Important note

This summary of tax consequences for shareholders is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional tax advice. Great Portland Estates plc accepts no responsibility for any loss arising from any action taken or not taken by any person using this material.

Dividends under the REIT regime

Following conversion to REIT status on 1 January 2007, Great Portland Estates plc expects that future dividend payments will comprise a mixture of both Property Income Distribution (PID) and non-PID dividends. The amount of PID and non-PID elements of the dividend will be shown on the associated tax vouchers.

Non-PID dividend payments

The non-PID element of the dividend will be treated in exactly the same way as Great Portland Estates plc dividend payments prior to becoming a REIT and in the same way as dividends from non-REIT companies.

PID dividend payments

PIDs are taxable as property letting income in the hands of shareholders who pay tax, but will be treated separately from any other property letting business which shareholders may carry on.

From the 2007/08 tax year onwards Her Majesty's Revenue & Customs (HMRC) tax returns will contain a separate box and explanatory notes to enable individual taxpayers to declare amounts received in the form of PID dividends. Great Portland Estates plc will pay its first PID dividend on 3 January 2008.

PID dividend payments will generally be paid out after deduction of withholding tax at the basic rate (22% for 2007/08 and 20% for 2008/09 onwards). However, certain classes of shareholder may be able to claim exemption from deduction of withholding tax. Examples of such classes of shareholder are:

- UK Companies;
- Charities;
- Local Authorities;
- UK Pension Schemes; and
- Managers of PEPs, ISAs and Child Trust Funds.

Note: It is expected that overseas shareholders and individual private shareholders will not be eligible to claim exemption from deduction of withholding tax.

Shareholders who wish to claim exemption from deduction of withholding tax on PID dividend payments should complete one of the forms that can be found on our website (there are separate forms for use by shareholders and intermediaries acting on behalf of shareholders). The completed forms should be submitted to the Company's Registrars: Capita Registrars, The

Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Exemption claim forms should be sent to arrive at the Registrars by the dividend record date for the next dividend payment. Details on dividend payment dates are set out in the “Financial calendar” section of our website. Please note that the exemption claim forms will apply for all future PID dividends until revoked by the shareholder.

Withholding tax is credited against a shareholder’s own tax liability on the PID. Shareholders whose rate of tax is less than 22% (20% for 2008/09 onwards) or who do not pay tax at all, perhaps because of personal allowances or other reliefs, may reclaim the difference from HMRC.

Overseas shareholders

Non-resident shareholders in countries with double tax treaties with the UK, which provide for withholding tax on dividends at a lower rate than 22%, may be able to make claims for repayments of the difference from HMRC. Claim forms for non-resident individuals and companies can be downloaded from the HMRC website at www.hmrc.gov.uk/cnr/claim-forms.htm or by contacting HM Revenue & Customs, Residency, Fitz Roy House, PO Box 46, Nottingham, England, NG2 1BD.

Examples of taxation of PIDs and Non-PIDs received by UK tax-resident individuals

	Basic rate taxpayer		Higher rate taxpayer	
	PID £	Non-PID £	PID £	Non-PID £
Profit distribution	100	100	100	100
Withholding tax	(22)	-	(22)	-
Additional tax to pay	-	-	(18)	(25)
Net cash receipt after tax	<u>78</u>	<u>100</u>	<u>60</u>	<u>75</u>
Effective tax rate*	22%	0%	40%	25%

*This calculation ignores the effect of tax borne at Group level. Following conversion to REIT status, the Group no longer pays UK corporation tax in respect of its rental profits and chargeable gains relating to its property rental business. The position will vary for different investors, but the combined tax rate for the Group and Shareholders will be lower in many cases following REIT conversion.