



Great Portland Estates plc

# Creating tax transparency

Tax Strategy for the year ending March 2019



# As part of our commitment to being an accountable corporate citizen, the following strategy will apply for the year ending March 2019.

## Summary

- As a Real Estate Investment Trust ('REIT'), profits in respect of our property rental business are exempt from UK corporation tax.
- We pay other taxes in the same way as non-REIT companies and all our Group entities are UK tax resident.
- We strive to maintain both our open relationship with HMRC and our low risk HMRC status.
- The governance of our business, including tax matters, is led by our Board.
- We have a very low tolerance of tax risk.

## Introduction

Great Portland Estates plc ('GPE' or the 'Group') is a FTSE 250 property investment and development company owning over £2.8 billion of real estate in central London. We proactively manage our portfolio, flexing our activities in tune with London's property cycle to deliver long-term outperformance. We create in-demand spaces that people want to be part of, helping our occupiers, local communities and the city to thrive.

Building and nurturing strong working relationships with our occupiers, suppliers, JV partners, capital providers, investors and other stakeholders is critical to our success. Through our active engagement, we aim to build lasting relationships with our stakeholders based on professionalism, fair dealing and integrity.

GPE is a REIT which means that our profits are taxed in a non-standard manner. The REIT regime aims to enable shareholders to replicate the tax treatment of a direct investment in property by removing the historical 'double-layer' of taxation, when company rental profits and chargeable gains relating to a property rental business were taxed at both the company and shareholder level. Maintaining our REIT status is a key objective of the business.

As a REIT, profits in respect of our property rental business are exempt from UK corporation tax, provided that we meet a number of conditions including distributing at least 90% of the rental income profits of this business on an annual basis. This distribution requirement does not exist for non-REITs and protects HM Treasury's revenue stream as the dividends are then typically treated as taxable income in the hands of shareholders.

Despite being a REIT, the Group is subject to a number of taxes and certain sector specific charges in the same way as non-REIT companies. During the year ended 31 March 2018, we incurred £5.8 million in respect of:

- stamp taxes;
- section 106 contributions;
- community infrastructure levies;
- empty rates in respect of vacant space;
- head office rates;
- employer’s national insurance; and
- irrecoverable VAT.

We take our obligations as a taxpayer very seriously. All Group entities are UK tax resident; as our business is located wholly in the UK, we consider this to be appropriate. As a good corporate citizen, we strive to maintain a productive, open and constructive relationship with HM Revenue & Customs ('HMRC') through regular dialogue. We invest significant time and resources into our relationship with HMRC to assist them to have a full understanding of our business and to maintain our 'low risk' status.

## Our approach to governance and tax risk management

The governance of our business, including tax matters, is led by our Board. We believe that good governance is based on the appropriate level of oversight, good communication, a focus on risks, and transparency in how we operate. We aspire to the highest standard of conduct and together with a culture of continuous improvement in standards and performance, this ensures good governance extends beyond the Boardroom. Whilst the ultimate responsibility for risk management rests with the Board, the effective day-to-day management of risk is in the way we do business and the culture of our team.

The members of the tax team (the Director of Corporate Finance, the Tax Compliance Manager and the Corporate Finance Manager) are all chartered accountants and/or chartered tax advisers and have many years of relevant experience, which is supplemented by regular training. Additionally, the Director of Corporate Finance and the Corporate Finance Manager are members of the British Property Federation Finance Committee and Tax Committee respectively. As a result, the tax team is able to provide appropriate advice to the wider business.

The tax team provides support for all transactions and maintains a high profile within the Group to ensure that tax risk is a factor which is always considered during decision making processes. The tax team and the Finance Director report to the Board on the tax implications of all significant commercial transactions as part of the approval process. Regular and comprehensive updates on tax matters are also provided to the Audit Committee.

We operate a rigorous approach to managing tax risk which is focused on risk identification and mitigation, together with the monitoring of compliance with UK tax legislation. In addition to the tax team’s high level of tax technical knowledge, the views of appropriately qualified third party advisers are sought as a matter of course in respect of complex matters. Where appropriate, we will approach HMRC in relation to areas of uncertainty to seek pre-clearance.

The Finance Director (a chartered accountant) oversees the work of the tax team on a daily basis and together, they are collectively responsible for all tax issues in respect of both transactions and compliance matters. We take pride in preparing tax returns which are clear, comprehensive, accurate and timely. We have detailed internal review procedures and controls which assist the Group’s Senior Accounting Officer (our Finance Director) to certify to HMRC on an annual basis that our tax accounting arrangements are appropriate.

## Our approach to tax planning

Maintaining both our REIT status and our low risk HMRC rating are key objectives of our business. On this basis, we have a very low tolerance of tax risk and all transactions must be driven by commercial (rather than tax) objectives. The Board will only consider undertaking tax planning which is:

- within both the letter and the spirit of the law; and
- likely to be viewed favourably by our stakeholders.

## Our relationship with HMRC

As noted above, we are committed to maintaining a productive, open and constructive relationship with HMRC through regular dialogue.

Due to the size of our business, we have an HMRC Customer Relationship Manager ('CRM') who is responsible for the relationship between GPE and HMRC in respect of all taxes.

Where any tax planning is undertaken, including taking advantage of HMRC approved incentives and reliefs, it will be on the basis of full disclosure to HMRC.

We frequently interact with our CRM in person, by email and by telephone. We have a close, proactive relationship with our CRM which is based on trust, collaboration and transparency.

Our strong relationship with HMRC is fundamental to the success of our business.