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 ("GPE") 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
As a result of its Real Estate Investment Trust ("REIT") status, GPE 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 a dividend will be shown on associated tax vouchers.

Non-PID dividend payments
The non-PID element of a dividend will be treated in exactly the same way as a dividend from a non-REIT company by Her Majesty's Revenue & Customs ("HMRC").

HMRC introduced a tax-free dividend allowance and new rates of income tax on dividends for dividends paid after on or after 6 April 2016. Further information is available from HMRC at: www.gov.uk/tax-on-dividends.

PID dividend payments
As PID dividends are paid from GPE's profits that are exempt from corporation tax, they are potentially fully taxable in the hands of its shareholders. PID dividends 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.

HMRC tax returns contain a separate box and explanatory notes to enable individual taxpayers to declare amounts received in the form of PID dividends. PID dividend payments will generally be paid out after deduction of withholding tax (currently at the basic rate of 20%, to be increased to the property basic rate of 22% from 6 April 2027).

Therefore, currently for most shareholders, if GPE declares a PID dividend of £100, it will pay £80 to the shareholder and £20 to HMRC (on behalf of the shareholder). In the case of a UK individual shareholder taxable at the basic rate, no further tax is payable. By contrast, a UK individual shareholder taxable at 40% will have a further £20 of tax to pay and a UK individual taxable at 45% will have a further £25 of tax to pay.

Tax consequences for shareholders (continued)

Certain classes of shareholder may be able to claim exemption from deduction of withholding tax. Examples of such classes of shareholder are:

– UK resident companies;
– UK charities;
– UK public bodies;
– UK pension funds; and
– the managers of PEPs, ISAs and Child Trust Funds.

Note: Most shareholders, including all individuals and all non-UK residents, do not qualify for an 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: Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. 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 on our website at www.gpe.co.uk/investors/shareholder-information/dividends. Please note that valid exemption claim forms will apply for all future PID dividends unless revoked by the shareholder.

Withholding tax is credited against a shareholder's own tax liability on the PID dividend. Shareholders whose rate of tax is less than 20% or who do not pay tax at all, perhaps because of personal allowances or other reliefs, may reclaim the difference from HMRC.

Non-resident shareholders in countries with double tax treaties with the UK, which provide for withholding tax on dividends at a lower rate than 20%, may be able to make claims for repayments of the difference from HMRC.

It should be noted that the above rules will not apply to shareholders who hold shares and securities as trading assets. In the case of those shareholders, such as financial traders, all dividends (whether PID or non-PID dividend payments) will be taxable under the trading income rules.