

## **Primary Health Properties PLC**

### **Taxation of PIDs**

For the purposes of this section, the value attributed to PIDs is (i) in the case of a PID in the form of New shares, the Cash equivalent of the New Shares and (ii) in the case of a PID in the form of cash, the amount of that cash PID, in both cases before any applicable obligation to make a withholding on account of tax.

#### **(A) UK Resident Individuals**

##### *Income tax*

PIDs received by individuals will generally be treated as the profit of a single UK property business, irrespective of whether the PID is paid in cash or as New Shares. The PID is, together with any other PIDs from any other UK REITs, treated as a separate UK property business from any other UK property business carried on by the relevant Shareholder. This means that surplus expenses from a Shareholder's different UK property business cannot be off-set against a PID as part of a single calculation of the profits of the Shareholder's UK property business.

The PID will be subject to income tax at the Shareholder's marginal rate (basic rate 20%; higher rate 40%; additional rate 45%) less any personal allowance.

##### *Capital gains tax*

The receipt of New shares under the Scrip Dividend Scheme will not give rise to an immediate charge to capital gains tax ("CGT"). Individual shareholders who receive a PID in the form of New Shares will be treated as having acquired those New Shares for their Cash Equivalent which will be their base cost.

Higher and additional rate taxpayers are currently subject to CGT at the rate of 20% and basic rate taxpayers at the rate of 10% on gains realised. In both cases this is subject to the annual exempt amount (currently £11,700) and any available exemptions, reliefs or losses, including entrepreneurs' relief and investors' relief.

#### **(B) UK resident trustees**

##### *Income tax*

PIDs received by UK resident trustee Shareholders will generally be treated in the same way as they are treated for UK resident individuals save that the income tax rate for trustees is a flat rate of 45% for trust income above £1,000. PID income falling within the initial £1,000 band will be taxed at no more than the basic rate (currently 20%).

##### *Capital gains tax*

PIDs received by UK resident trustee Shareholders will generally be subject to the same CGT regime as UK resident individuals save that the CGT rate for trustees is a flat rate of 20% and the annual exemption (currently £5,850).

### **(C) UK resident companies**

#### *Corporation tax (profits)*

Shareholders that are within the charge to corporation tax receiving a PID in the form of New Shares will be treated as the profit of a UK property business, irrespective of whether the PID is paid in cash or as New Shares. The PID is, together with any other PIDs from any other UK REITs, treated as a separate UK property business from any other UK property business carried on by the Shareholder. This means that surplus expenses from a shareholder's different UK property business cannot be offset against a PID as part of a single calculation of the profits of the Shareholder's UK property business.

#### *Corporation tax (chargeable gains)*

Shareholders that are within the charge to corporation tax receiving a PID in the form of New Shares will be treated as having acquired those New Shares for their Cash equivalent. The corporation tax regime will apply in the usual way to subsequent disposals.

### **(D) Charities, individual savings accounts, pensions and other UK resident gross funds**

PIDs paid in respect of Ordinary shares held in a UK exempt fund (such as pension funds and charities) or individual savings accounts are not subject to tax. If any tax is withheld at source it may be reclaimed from HM Revenue & Customs.

### **(E) Withholding tax**

#### *General*

Subject to certain conditions outlined below, the Company is required to withhold tax at source from PIDs at the basic rate of income tax (currently 20%), irrespective of whether the PID is paid in cash or as New Shares. In the case of a PID paid in cash, the Company will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld, and the net amount of the PID. In the case of a PID paid as New Shares, the Company will provide Shareholders with a scrip statement showing details of the New Shares issued.

#### *UK individual and trustee shareholders*

When tax has been withheld at source, individual and trustee Shareholders may, depending upon their particular circumstances, be liable to further tax at their applicable marginal rate, or may be entitled to claim repayment of some or all of the tax withheld.

#### *UK company shareholders*

In the exceptional event that tax is withheld at source on a PID paid to a Shareholder within the charge to corporation tax, the tax withheld can be offset against such Shareholder's liability to corporation tax in the accounting period in which the PID is received.

#### *Charities, individual savings accounts, pensions and other UK resident gross funds*

In the exceptional event that tax is withheld at source on a PID to a Shareholder whose Ordinary Shares are held in an exempt fund (such as pension funds and charities) or individual savings accounts, the tax withheld may be reclaimed from HM Revenue & Customs.

#### *Exceptions*



The Company is not required to withhold income tax at source on a PID if it reasonably believes that (i) the person beneficially entitled to the PID is a company (other than an authorised investment fund which is a “tax elected fund”) resident for tax purposes in the UK (or resident outside the UK but required to bring the PID into account in computing the taxable profits of a permanent establishment in the UK) or is a charity, local authority or specified government body; (ii) the PID is paid to the scheme administrator of a registered pension scheme, the sub-scheme administrator of certain pension sub-schemes, or the account manager of an Individual Savings Account (ISA), and will be applied for the purposes of the relevant scheme, sub-scheme or account; or (iii) the body beneficially entitled to the PID is a partnership, each member of which falls within one of the foregoing exceptions.

In order to receive PIDs free of withholding tax, Shareholders that fall within one of the exceptions above should submit a valid “Declaration of Eligibility” available [here](#) and [here](#). The relevant form must be lodged with the Company’s registrars, Equiniti Limited, no later than the record date for the relevant dividend. Shareholders should note that the Company may seek recovery from Shareholders if the statements made in their claim are incorrect and the Company suffers tax as a result.