



## **Real Estate Investment Trusts ('REITS') – Tax Consequences for Shareholders**

This summary of tax consequences for shareholders is intended to provide only a general outline. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional tax advice. McKay Securities Plc ("McKay") accepts no responsibility for any loss arising from any action taken or not taken by any person using this material.

### **1. Background**

Due to McKay's status as a REIT, it is expected that future distributions, although made on the same date, will continue to comprise a mixture of both Property Income Distribution (PID) and ordinary dividends. The amount of the PID and ordinary dividend elements of the dividend will be shown on the associated tax vouchers.

### **2. Non-PID dividend payments**

Ordinary dividends are subject to dividend taxation changes from 6 April 2016.

### **3. PID dividend payments – These are NOT classified as ordinary dividends**

- i) 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.
- ii) Her Majesty's Revenue & Customs (HMRC) tax returns contain a separate box and explanatory notes to enable individual tax payers to declare amounts received in the form of PID dividend payments.
- iii) PID dividend payments will generally be paid out after deduction of withholding tax at the basic rate. However, certain classes of shareholder may be able to claim exemption from deduction of withholding tax. Examples of such classes of shareholders are:-
  - UK Companies
  - Charities
  - Local Authorities
  - UK Pension Schemes
  - Managers of PEP's, ISA's and Child Trust Funds
- iv) Shareholders who wish to claim exemption from withholding tax on PID payments should complete one of the attached forms (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, Aspect House, Spencer Road, Lancing, BN99 6DA. Please note the exemption claim forms are "evergreen" – ie, once submitted they will apply for all future PID dividend payments until revoked by the shareholder.
- v) Withholding tax is credited against a shareholder's own tax liability on the PID. A basic rate taxpayer should have no further tax to pay in respect of the PID, whereas additional tax will be due from higher tax rate taxpayers. Shareholders who pay less than basic rate tax or do not pay tax at all, perhaps because of personal allowances or other reliefs, may reclaim the difference from HMRC.
- vi) Non-resident shareholders in countries with double tax treaties with the UK, which provide for withholding tax on distributions at lower rates than the basic rate tax, may be able to make claims for repayment of the difference from HMRC.