



Real Estate Investment Trusts – Key Facts

What is a Real Estate Investment Trust (REIT)?

A REIT is a company or group that invests in rental investment property and enjoys a measure of shelter from corporation tax in return for an obligation to distribute a significant amount of the REIT's qualifying property rental business profits to Shareholders. In various forms, REITs are increasingly the predominant listed property vehicle in many of the major jurisdictions around the world.

Implications for the Company of converting to a REIT

The principle underlying the REIT Regime is that, in return for profits and gains of the Group's Qualifying Property Rental Business not being taxed, a dividend from this business will generally be taxed in the hands of shareholders as if it was rental income. The Group will remain liable for tax on its profits from other activities (its "residual business").

Overall, the amount of tax suffered, both by the Company and the Shareholders, should reduce as a result of the conversion to a UK REIT.

Dividends

One requirement of the REIT Regime is that a REIT must distribute to shareholders by way of a dividend at least 90 per cent. of the profits from its Qualifying Property Rental Business in the form of a Property Income Distribution ("PID"). Any further distribution will be as a PID or ordinary dividend ("Non-PID") depending on its designation at the time of distribution.

PID & non-PID dividend payments

A PID will generally be subject to withholding tax at the basic rate of UK income tax, currently 20 per cent. Non-PID Dividends will be taxed in the same way as dividends paid prior to entry into the REIT Regime.

PID dividends are normally paid after deduction of withholding tax at the basic rate of income tax (20%), which the REIT pays to HMRC on behalf of the shareholder. Certain classes of shareholder are eligible to receive gross PID dividends. Forms for claiming exemption from withholding tax on PID dividend payments can be found on our website: <https://www.palacecapitalplc.com/investors/REIT-information/>

The Company is not required to withhold tax when paying a Non-PID Dividend.

Non-resident Shareholders

Where a Shareholder who is resident for tax purposes outside the UK receives a PID, the PID will generally be chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of withholding tax.

Important note: this summary is intended to provide only a general outline of the REIT regime and potential tax implications. It should not be used in place of professional tax advice. The Company accepts no responsibility for any loss arising from any action taken or not taken by any person using this material.