

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. NewRiver REIT plc accepts no responsibility for any loss arising from any action taken or not taken by any person using this material. If you are in any doubt as to your tax position or if you may be subject to tax in a jurisdiction other than the UK, you should consult your own professional advisors.

Dividend payments

A UK REIT may pay its dividends as a mixture of Property Income Distributions ("**PIDs**") and normal dividends ("**Non-PIDs**").

Following conversion to REIT status on 22 November 2010 of NewRiver Retail Limited and NewRiver REIT plc with effect from 18 August 2016, NewRiver currently expects that future dividend payments may comprise either a mixture of both PID and Non-PID or solely a PID, depending on the circumstances at the time. The amount of PID and any Non-PID elements of each dividend will be shown on the associated tax vouchers that will be provided to shareholders within 14 days of the end of each calendar quarter in which a PID is paid.

UK tax treatment of PIDs

UK shareholders are taxed on PIDs as property Letting income separate from any other property Letting business. The gross amount of the PID is subject to tax with a credit for withholding tax deducted from the payment (see further below).

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 PIDs.

Withholding tax on PID dividends

For most shareholders, PIDs are paid after deducting withholding tax at the basic rate of income tax, currently 20%. So, if a PID of 100 is declared, the company will pay 20 to HMRC and 80 to the shareholder.

Because of the withholding tax, a UK individual taxable at the basic rate will have no further tax to pay. By contrast, a UK individual taxable at 40% (or 50% from 6 April 2010) will have a further 20% (or 30%) to pay. Someone who does not pay tax, perhaps because of personal allowances, may reclaim the tax withheld in his tax return.

Gross payment of PIDs for certain categories of shareholder

Under the REITs rules, certain categories of shareholder are entitled to receive PIDs without withholding. Shareholders qualifying for gross payment are principally UK resident companies, UK public bodies, UK charities, UK pension funds, and the managers of ISAs, PEPs and Child Trust Funds.

Most shareholders, including all individuals and all non-UK residents, do not qualify for gross payment.

Shareholders who qualify for gross payment are required to complete one of the two forms included on NewRiver's website. The first form is to be used when the registered owner is also the beneficial owner and the second form is for a registered owner to certify that the underlying beneficial owner or owners qualify. Where a registered holding has mixed beneficial owners including non-qualifying shareholders, the certification cannot be given and all the PID is paid net.

The completed forms should be submitted to the Company's Registrars, Link Market Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Exemption claim forms should generally be sent so as to arrive at the Registrars no later than the record date for the dividend payable on the relevant payment date. It is only necessary to complete a form once as, once submitted, exemption claim forms will apply for all future PID payments until revoked by the shareholder. The shareholder is obliged to advise the company in the event that their circumstances change such that they are no longer eligible to receive PIDs gross.

Foreign 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 a withholding.

Non-resident shareholders in countries with double tax treaties with the UK, which provide for lower rates of withholding tax on dividends than 20%, may be able to make claims for repayment of the difference from HMRC. Claim forms for non-resident individuals and companies may be downloaded from the HMRC website:

For individuals

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/373949/ukreit-dt-individual.pdf

For companies

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/373948/ukreit-dt-company.pdf

or by contacting HM Revenue & Customs, Trusts & Estates, Ferrers House, Castle Meadow Road, Nottingham, England NG2 1BB.

Guernsey and Jersey resident individual shareholders

Guernsey and Jersey tax Law do not set out the tax treatment of distributions from a UK-REIT. However, rulings have been obtained for NewRiver from the Guernsey and Jersey Tax Offices to confirm the taxation of such investors.

PIDs comprising distributions of property income will be subject to UK withholding tax upon distribution. The gross income is assessable to Guernsey / Jersey income tax and double tax relief (DTR) is available to the Guernsey / Jersey resident individual in respect of the UK withholding tax.

Distributions of PIDs derived from gains on the sale of properties will be subject to UK withholding tax upon distribution. However, the gain should not be subject to further tax in Guernsey / Jersey.

Non-PID payments

Non-PID Dividends paid by NewRiver will be taxed in the same way as normal corporate dividends paid by a UK company, whether in the hands of individual or corporate Shareholders and regardless of whether the Shareholder is resident for tax purposes in the UK.