

# 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. Safestore Holdings plc (“SH”) 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 Real Estate Investment Trust (REIT), SH must follow certain rules relating to money it distributes to shareholders, and how those distributions are taxed. 90% of the tax-exempt profit from SH’s property rental business in the UK has to be distributed to shareholders. This is known as a Property Income Distribution, or ‘PID’. SH can also distribute taxed income from its other activities, known as a Non-Property Income Distribution, or ‘non-PID’.

These distributions are commonly made by way of dividend payments. Dividends can be entirely PID, entirely non-PID, or a combination of the two; the SH Board will decide the most appropriate makeup on a dividend-by-dividend basis. Further, the PID/non-PID make-up of any Scrip Dividend Alternative, when this is offered, may be different to that of the underlying cash dividend.

The amount of PID and non-PID elements of a dividend will be shown on associated tax vouchers.

### **PID & non-PID dividend payments**

Shareholders should note that the tax treatment of PID and non-PID dividends differs. PIDs are taxable as property letting income in the hands of tax-paying shareholders, but treated separately from any other property letting income which shareholders may receive.

Profits distributed as PID dividends are paid out of SH tax-exempt profits and therefore are potentially fully taxable in shareholders’ hands as property letting income. 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 types of shareholder are tax-exempt and receive gross PID dividends. Examples of such classes of shareholder are:

- UK Companies;
- Charities;
- Local Authorities;
- UK Registered Pension Schemes; and
- Managers of PEPs, ISAs and Child Trust Funds.

Forms for claiming exemption from withholding tax on PID dividend payments should be sent to our registrars, Link Asset Services, if applicable.

For UK resident individuals who receive tax returns, the PID from a UK REIT is included as other income. On the tax return, the total amount of the PID received is shown in box 17, the amount of the tax shown as deducted on the voucher is shown in box 19 and the fact the income is PID should be included in box 21. (Box references are to the 2016 return).

The non-PID element of dividends will be treated in exactly the same way as dividends received from other non-REIT UK companies. The tax free Dividend Allowance (£5,000 for 2016/17) will apply to the non-PID element of dividends received by UK resident shareholders subject to UK income tax from 6 April 2016. It should be noted that this allowance does not apply to the PID element of dividends.

For UK resident individuals who receive tax returns, any normal dividend paid by the UK REIT is included on the return as a dividend from a UK company. Your dividend voucher will show your shares in SH, the dividend rate, and the tax credit (for 2016 and prior) and dividend payable.