



REAL ESTATE INVESTMENT TRUSTS ('REITS') – TAX IMPLICATIONS 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. Picton Property Income Limited ("Picton") accepts no responsibility for any loss arising from any action taken or not taken by any person using this material.

1. Background

Following conversion to REIT status on 1 October 2018, Picton expects to make future distributions on the same dates each year as they are currently. However, due to Picton's status as a REIT, future distributions will comprise a mixture of both Property Income Distribution (PID) and non-PID, or 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 (Ordinary Dividend) Payments

The Non-PID element of dividends will continue to be paid gross to all shareholders.

3. PID 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 payments.
- iii. PID payments will generally be paid out after deduction of withholding tax at the basic rate (currently 20%). 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
Registered Pension Schemes
Managers of ISAs and Child Trust Funds

- iv. Shareholders who wish to claim exemption from withholding tax on PID payments should complete one of the forms available on our website (there are separate forms for use by shareholders and intermediaries acting on behalf of shareholders). The completed forms should be submitted to Picton's Registrars, Computershare Investor Services (Guernsey) Limited, at The Pavilions, Bridgewater Road, Bristol, BS99 6ZY. Please note that once submitted the exemption claim forms will apply for all future PID payments until revoked by the shareholder.
- v. Withholding tax is credited against an individual shareholder's own tax liability on the PID. A basic rate individual taxpayer should have no further tax to pay in respect of the PID, whereas additional tax will be due from higher 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 be entitled to reclaim the difference from HMRC in their tax return.
- vi. Non-resident shareholders in countries with double tax treaties with the UK, which provide for withholding tax on dividends at lower rates than the basic rate of tax (currently 20%), may be able to make claims for repayment of the difference from HMRC.