Sandstone – REIT tax summary

Type	UK individuals	UK companies	Overseas individuals or companies	Tax exempt bodies (Includes local authorities, health service bodies, registered pension schemes, or charities). See SI 2006/2867/reg 7(3).
Tax treatment of Property Income Dividends (PIDs) (Dividends paid by the REIT are expected to be treated in most part as PIDs with only a small residual amount treated as ordinary dividends).	PIDs are treated for UK tax purposes as UK property income in the hands of individual shareholders and are chargeable to income tax at the individual's applicable rate. PIDs are paid after deduction of 20% withholding tax. This withholding tax can be offset against other UK income tax liabilities or reclaimed. Individuals investing via an individual savings account (ISA) or a self-invested personal pension (SIPP) are entitled to receive PIDs gross.	UK companies are entitled to receive PIDs gross and would recognise any PIDs received from the REIT as property income, subject to corporation tax at the prevailing rate (currently 19%*) in the hands of the company.	Some non-UK resident shareholders may be able to rely on a beneficial tax treaty such that tax is withheld at a rate lower than 20% (often 15%). As PIDs are legally treated as dividends, they are often not taxable in the hands of the non-UK resident shareholder. However, each relevant shareholder should take their own advice in respect of their tax position. As a result of the beneficial tax treaty rate, the non-UK resident shareholder can end up suffering a lower tax rate (often 15%).	Certain specified UK tax exempt bodies are entitled to receive PIDs gross and therefore would recognise any PIDs received from the REIT as property income. As a tax exempt body, this property would be exempt from taxation in the hands of the exempt investor and therefore there would be no tax leakage within the REIT structure. This is compared to a UK company, where any property income of the company would be taxable in the company at the current prevailing corporation tax rate of 19%*.
Tax treatment of ordinary dividends	Treated as ordinary dividends in the hands of the individual and subject to income tax at the applicable rate.	Treated as ordinary dividends in the hands of the individual and subject to corporation tax at the applicable rate.	Treated as ordinary dividends in the hands of the shareholder and subject to tax in their jurisdiction.	Treated as ordinary dividends in the hands of the shareholder and subject to tax at the normal rate.
Disposal of shares	Gains from the disposal of shares above the annual CGT allowance are subject to capital gains tax at 10% for basic rate taxpayers and 20% for higher rate taxpayers.	Gains from the disposal of shares subject to corporation tax in the normal way (currently 19%*).	Gains from the disposal of shares likely subject to UK capital gains tax:10%/20% for individuals (on gains above the annual CGT allowance) and 19%* for companies.	Gains from the disposal of shares remain subject to tax in the normal way for the relevant body.
Inheritance tax	For UK resident, UK domiciled investors, the shares in the REIT would be within the scope of IHT	N/A	For non-UK domiciled investors the shares in the REIT would be outside the scope of IHT.	N/A

The information provided in this table is general nature and intended as a guide only.
It is not a substitute for tax advice specific to your own circumstances for which you should consult a tax adviser (which Sandstone can help facilitate if necessary).