REITs, dividends and UK tax

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 use in making decisions in place of professional tax advice. Safestore Holdings plc ("Safestore") accepts no responsibility for any loss arising from any action taken or not taken by any person using this material.

Dividends and our obligations as a REIT
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 Safestore's property rental business in the UK has to be distributed to shareholders, through what is known as a Property Income Distribution, or 'PID'. Safestore 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 Board will decide the most appropriate make-up on a dividend-by-dividend basis.

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

PIDs are normally treated for UK tax purposes as taxable property letting income in shareholders' hands, albeit separately from any other property letting income which they may receive.

PIDs will generally be paid after deduction of withholding tax at the basic rate of income tax, currently 20 per cent, which the REIT pays to HMRC on behalf of the shareholder. However, certain classes of shareholder may be able to receive PIDs gross, without deduction of tax. Such classes of shareholder include UK companies, charities, local authorities, UK registered Pension schemes, Sovereign Wealth Funds and managers of PEPs, ISAs and Child Trust Funds.

Most overseas shareholders and individual private shareholders will not be eligible to claim exemption from deduction of withholding tax, but non-UK resident shareholders resident in countries which have a double tax treaty with the UK may be able to obtain a partial refund of the tax withheld (see below). The tax free dividend allowance for UK resident shareholders referred to below does not apply to PIDs.

For most shareholders, PIDs are paid after deducting withholding tax at basic rate income tax, currently 20%. So, if a PID of £100 is paid, 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 should have no further tax to pay. Higher rate taxpayers (40%) and additional rate taxpayers (45%) will have an additional tax liability of 20% and 25% of the gross PID respectively. Someone who does not pay tax, perhaps because of personal allowances, may in their tax return reclaim the tax withheld.

Shareholders who believe that they are eligible to claim exemption from withholding tax on PID payments should download the appropriate form from this page, complete it and submit it by post without delay to the company's Registrars, at:

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Most shareholders, including all individuals and all non-UK residents, do not qualify for gross payment and should not complete the forms. Unlike withholding tax on interest, it is unlikely that a shareholder resident outside the UK can obtain advance clearance for the PID to be paid gross.

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 that the income is PIDs should be included in box 21. (Box references are to the 2022/23 tax return).

Non-PID dividends will be treated in exactly the same way as ordinary dividends received from other non-REIT UK companies. The tax free Dividend Allowance applies 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. Please refer to the following HMRC webpage for the dividend allowance applicable to the tax year in which Non-PID dividends are received.

https://www.gov.uk/government/publications/reduction-of-the-dividend-allowance/income-tax-reducing-the-dividend-allowance

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 dividend payable.

Shareholders who are in any doubt about their tax position, or who are subject to tax in a jurisdiction other than the United Kingdom, should consult their own appropriate independent professional adviser, particularly concerning their tax liabilities on PIDs to determine whether they are entitled to claim any repayment of tax and, if so, the procedure for so doing.

Non-UK resident shareholders in countries with double tax treaties with the UK, which provide for withholding tax on dividends at rates lower than 20%, may be able to make claims for repayment of the difference from HM Revenue & Customs, Residency, Fitzroy House, PO Box 46, Nottingham NG2 1BD.