

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. Hammerson 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**"). Hammerson currently expects that each year its interim dividend will be paid entirely as a PID while its final dividend will have both a PID and a Non-PID element. The nature of dividends paid will be shown on the tax vouchers provided to shareholders.

UK tax treatment of dividend receipts

For UK shareholders, Non-PID dividends received from UK REITs are taxed in the same way as normal dividends from other UK companies. By contrast, UK shareholders are taxed on PIDs as property letting income separate from any other property letting business.

For the 2007/08 tax return for UK individuals, the following boxes should be completed:

- PIDs should be included in Box 15 inclusive of withholding tax, and the withholding tax deducted in Box 17. This will be applicable to the interim dividend paid on 19 October 2007.
- Non-PID dividends should be included in Box 3 net of the tax credit. This will be applicable to the final 2006 dividend paid on 14 May 2007.

For the 2008/09 tax return, it will be necessary to include the PID and Non-PID elements of the final 2007 dividend separately, as described above.

Withholding tax on PID dividends

For most shareholders, PIDs are paid after deducting withholding tax at the basic rate (20% from 6 April 2008, formerly 22%). 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% will currently have a further 20% to pay while someone who does not pay tax, perhaps because of personal allowances, may in his tax return reclaim the tax withheld.

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.

Shareholders who qualify for gross payment are required to complete one of the two forms included on Hammerson'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, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. It is only necessary to complete a form once. For qualifying shareholders who have not previously submitted a form, this must be received by the Registrars by the record date to qualify for gross payment of the PID element of upcoming dividends.

Foreign shareholders

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 at <http://www.hmrc.gov.uk/cnr/claim-forms.htm> or by contacting HM Revenue & Customs, Residency, Fitz Roy House, PO Box 46, Nottingham, England NG2 1BD.