

Primary Health Properties PLC (“PHP”)

Tax Strategy - a responsible approach to tax

PHP has published this tax strategy in accordance with Paragraph 16, Part 2, Schedule 19 of Finance Act 2016 and this document satisfies the Group’s requirement to publish its tax strategy for the year to 31 December 2024 under Schedule 19, Finance Act 2016.

The policy sets out the overarching principles towards tax and PHP’s responsibilities for their implementation.

Governance and strategy

The Board of Directors has overall responsibility for governance of PHP’s business including tax strategy and risk. Operational execution of the tax strategy is delegated to the Chief Financial Officer who is also the Group’s Senior Accounting Officer (“SAO”). PHP is committed to ensuring that we pay the right amount of tax when it falls due and has a low tolerance to tax risk. We aim to maintain a good corporate reputation with all stakeholders including tax authorities.

Introduction

PHP invests in flexible, modern properties for local primary healthcare, let on long-term leases, backed by secure underlying covenants where the majority of rental income is funded directly or indirectly by a government body. The Group owns over 510 properties valued at £2.8 billion which are located across the UK and Ireland. The Group manages its assets to deliver sustainable, progressive earnings and long-term capital value for its shareholders. Tax is a consequence of the activities the Group undertakes.

PHP is a UK Real Estate Investment Trust (REIT) and is exempt from corporation tax on rental income and gains from UK investment properties. PHP’s assets in Ireland are subject to local taxes on rental profits and capital gains based on the applicable legislation. The aim of the REIT regime is to closely align the tax treatment of shareholders in a REIT to the equivalent of a direct property investment. This is done through removing one of the double layers of taxation (historically shareholders have been taxed once at the company level and again on the dividend received). In the UK, this is achieved through exempting the REIT from corporate tax on rental income and gains, with a requirement for the REIT to distribute 90% of annual rental profits as a Property Income Distribution (PID). The PID is taxed as rental income in the hands of shareholders.

PHP is also subject to a number of taxes in the same way as non-REIT companies including: Corporation tax on non-REIT income and gains, VAT, stamp duty land tax/stamp duty, PAYE, employer’s national insurance, business rates, insurance premium tax, various environmental taxes and the equivalent taxes in Ireland.

We are committed to being a good corporate citizen, as set out under the ‘Responsible Business’ report, which is detailed on our website and in our Annual Report. Reporting and paying the correct amount of tax forms an important part of this commitment and, accordingly, PHP takes its obligations as a taxpayer very seriously and has a very low appetite for tax risk. Our governance and risk management procedures ensure that this principle is embedded across our Group.

Tax governance and tax risk management

Overall responsibility for ensuring that tax risk is managed effectively across the Group lies with the Board. The Audit Committee reviews the effectiveness of the risk management process on behalf of the Board.

The Chief Financial Officer has overall responsibility for the execution of the strategy and management of the tax risks. However, day to day preparation of information, returns and payment of taxes are dealt with by senior members of the finance team who are supported by third-party advisers as required. In addition, there is a clear separation of preparation and review of UK and Irish tax returns to reduce risk of error with third-party advisers reviewing all returns to ensure compliance.

The senior finance team members are qualified professionals with many years of relevant experience, supported by regular training. The significant in-house tax knowledge is augmented by third-party advice where relevant.

We take care to ensure that our tax affairs are reported accurately. If we were to identify an error in a tax return, we would seek to voluntarily disclose it, quantifying the effect of the error and paying any additional tax, interest and penalties that may become due as a result.

PHP's robust review process supports the SAO in certifying to HMRC and other tax authorities that we have appropriate tax accounting arrangements.

Attitude to tax planning

PHP is committed to retaining its REIT status together with the low-risk rating and good reputation with both HMRC and other tax authorities. We have a low tolerance towards tax risk and advice is sought from reputable third-party advisers in order to ensure compliance with the relevant legislation. The business only undertakes transactions where there is a bona fide commercial purpose and do not undertake tax planning unconnected to such commercial transactions.

PHP is structured in a tax efficient manner as intended by legislation, for example the REIT legislation, capital allowances and other government incentive schemes. Where there is a choice on how to proceed with a transaction, we will consider the tax implications, alongside other commercial requirements, to ensure we remain competitive.

When considering tax risk, the Board takes into account the views of our stakeholders (investors and commercial partners) as well as HMRC and other local tax authorities.

Our relationship with HMRC

PHP has an open and transparent relationship with HMRC in all our dealings with them. PHP continues to be rated as 'low risk' by HMRC and it is our objective to maintain this rating by operating in a low-risk manner and aggressive tax planning is not part of our strategy. As a large business, PHP has a dedicated HMRC Customer Compliance Manager and regular contact is made to discuss material transactions, improve their understanding of the business and provide them with an opportunity to raise any queries that might affect our future tax risk profile. Clarification or formal clearances may be sought from HMRC where tax treatment is uncertain. We consider this collaborative approach with HMRC to be a fundamental part of our governance of tax risk.

Primary Health Properties PLC

December 2023