Primary Health Properties PLC

Taxation of NON PIDs

(A) UK resident individuals

Income tax

Individuals who elect to receive a Scrip Dividend instead of a cash dividend will be treated as having received an amount equal to the relevant cash dividend (or the market value of the New Shares if substantially different) which they would have received if they had not elected to take up an offer of a Scrip Dividend.

Finance Act 2016 provided that from 6 April 2016 the first £5,000 of a taxpayer's dividend income will be exempt from income tax but will not reduce total taxable income. As a result, dividends within the allowance will count as taxable income when determining how much of the basic rate band or higher rate band has been used. Finance (no.2) Act 2017 reduced this figure to £2,000 for dividends received on or after 6 April 2018.

The amount an individual is treated as having received that is in excess of the tax-free allowance will be taxed at 7.5% where it falls within an individual's basic rate band, 32.5% where it falls within an individual's higher rate band and 38.1% where it is taxed as additional rate income.

Capital gains tax

The receipt of New Shares will not give rise to an immediate charge to capital gains tax ("CGT"). For the purpose of computing an individual's CGT liability upon a future sale of the New Shares, the amount of a cash dividend (or the market value of the New Shares if substantially different) will be treated by HM Revenue & Customs as the base cost in the New Shares.

Higher and additional rate taxpayers are subject to CGT at the rate of 20% and basic rate payers at the rate of 10% on gains realised. In both cases this is subject to any available exemptions, reliefs or losses, including entrepreneurs' relief and investors' relief.

(B) UK resident trustees

Trustees of a trust who elect to receive a Scrip Dividend instead of a cash dividend will be treated as having received an amount equal to the relevant cash dividend (or the market value of the New Shares if substantially different) which they would have received if they had not elected to take up an offer of a Scrip Dividend.

The amount the trustee is treated as having received will be liable to income tax at the current dividend trust rate of 38.1%.

The above rate of 38.1% applies to trust income above £1,000. Income falling within the initial £1,000 band will be taxed at no more than the ordinary dividend rate for trusts (currently 7.5%).

Where New Shares are received instead of a cash dividend, the amount of the cash dividend forgone, or, if substantially different, the market value of the New Shares will be treated as the consideration given for the New Shares for CGT purposes.

As for individuals above, a trustee will not be liable to stamp duty or stamp duty reserve tax on the acquisition of the New Shares.

(C) UK resident companies

Corporation tax (profits)

For a UK resident corporate Shareholder, corporation tax will not be chargeable on the receipt of either a Scrip Dividend or a cash dividend.

Corporation tax (chargeable gains)

For the purpose of corporation tax on chargeable gains, no consideration will be treated as having been given for a Scrip Dividend and the New Shares are treated as acquired when the existing Ordinary Shares were acquired. The calculation of any chargeable gains on a disposal of a UK resident company's shareholding will, therefore, be made by reference to the base cost of the original shareholding only.

(D) Charities, individual savings accounts, pensions and other UK resident gross funds

Non-PID paid on shares held by or in exempt funds (such as pension funds and charities) or individual savings accounts are not subject to UK tax on dividends. This is the same whether a Scrip Dividend or cash dividend is taken.