Hammerson’s principal operations are based in the UK and France where the group benefits from tax exempt status.

Hammerson was among the first to become a UK Real Estate Investment Trust (“REIT”) on 1 January 2007.

In France, Hammerson has been tax exempt as a Société d'Investissement Immobilier Côtée (“SIIC”) since 2004.

**UK REITs**

- An elective regime introduced in the UK on 1 January 2007 for UK-resident listed real estate companies whose property investment business comprises more than 75% of its assets and profits.
- A one-off conversion charge of 2% of the value of property assets was payable by a company electing for REIT status. The conversion charge was abolished in 2012.
- After conversion to a REIT, rental income on UK investment properties is exempted from corporation tax. Gains on disposals of investments properties are also exempt except for properties sold within three years of completion of development.
- A minimum of 90% of the tax exempt income must be paid to shareholders as a Property Income Distribution (“PID”). PIDs may be paid in cash or as a scrip dividend (i.e. in the form of new shares).
- Basic rate income tax (currently 20%) must be deducted from PIDs but certain categories of shareholders including UK companies and UK pension funds may elect to receive PIDs gross.
- Other UK income and gains of the company are subject to corporation tax in the normal way.
- There are tax consequences where a REIT pays a dividend to a shareholder which owns or controls more than 10% of the company.
- The UK government continues to demonstrate its support for the REIT sector and wishes to see the sector expand further.

**French SIICs**

- Introduced in 2003 for French listed real estate companies whose principal business is to acquire or build real estate for property investment purposes. Hammerson elected for SIIC status on 1 January 2004.
- After converting to SIIC status, rental income and capital gains on qualifying properties are exempt from French corporate income tax.
- Qualifying assets may be included within a SIIC on payment of a conversion charge and penalties apply if a company ceases to qualify as a SIIC.
- A minimum of 85% of a SIIC’s property income profits and 50% of a SIIC’s chargeable gains must be distributed to its shareholders.
- Other non-SIIC income and gains of the company are subject to corporate income tax.
- A SIIC must not have a shareholder which controls (either by itself or with others) more than 60% of the company.
Effects on Hammerson

- Hammerson’s tax exempt property portfolio comprises substantially all of our UK and French shopping centres and retail parks
- Rental income from the group’s investment properties are not subject to tax in the UK and France, as are gains on investment property disposals except for UK development properties which are sold within three years of completion
- Sales of assets are therefore largely unfettered by tax considerations
- Hammerson paid a conversion charge of £101 million to become a REIT in 2007
- Hammerson’s dividends are paid as a mixture of PIDs and normal dividends to satisfy our UK REIT distribution requirements
- Hammerson’s dividends are also designated as SIIC dividends to satisfy our French SIIC distribution obligations

Benefits to Shareholders

- Investing in a REIT provides access to a high quality and diversified property portfolio and experienced management
- Income and capital returns from property assets accrue to shareholders in a tax-efficient way, with returns more closely aligned to direct property investment
- Removes “double taxation” as no tax is payable within the company, but only by shareholders on income dividends and capital gains on disposals

REIT Myths

- “REITs are trusts.” Despite their name, REITs are companies
- “Conversion is complex.” All that was needed was for Hammerson to make a tax election and no other changes were required.
- “REITs can't undertake property development.” REITs can develop properties and benefit from the REIT exemption provided development is undertaken for investment purposes and properties are retained for three years after completion. Alternatively, development can be carried out for trading purposes in the taxable part of the business
- “REITs can't own non-UK properties.” Overseas investment properties are specifically included in the 75% balance of business tests, so Hammerson can own French assets
- “REITs can't own properties in joint ventures.” Hammerson’s share of income from partnerships, the form of all our major joint ventures, is tax exempt

Further information on Hammerson can be found at www.hammerson.com and on REITs at www.REITA.org