

## Comparison of investor returns from a UK Real Estate Investment Trust and a UK taxable company



The tables below demonstrate the enhanced returns that may arise from investing in a UK REIT as compared with investing in a normal taxable UK company, from the perspective of different potential investors. Please note that these examples are based on the assumption that the profits of the REIT are distributed as a property rental business distribution and the after tax profits of a taxable company are distributed as a normal dividend. The current UK corporation tax rate of 21% has been assumed.

UK pension fund/ISA/Sovereign investor		
	REIT	Taxable company
REIT/Taxable profits	100	100
Tax on company	–	(21)
PID/Dividend	100	79
Withholding tax on distribution	–	–
Return from investment	100	79
Tax on investor	–	–
Investor's return after tax	100	79
<b>Enhancement of return</b>		<b>26.6%</b>

Individual additional rate tax payer		
	REIT	Taxable company
REIT/Taxable profits	100	100
Tax on company	–	(21)
PID/Dividend	100	79
Withholding tax on distribution	(20)	–
Return from investment	80	79
Tax on investor		
• Balance of 45% additional tax due on property income	(25)	–
• 37.5% additional tax due on dividends	–	(33)
• Dividend tax credit	–	9
Investor's return after tax	55	55
<b>Enhancement of return</b>		<b>0.3%</b>

Individual higher rate tax payer		
	REIT	Taxable company
REIT/Taxable profits	100	100
Tax on company	–	(21)
PID/Dividend	100	79
Withholding tax on distribution	(20)	–
Return from investment	80	79
Tax on investor		
• Balance of 40% higher rate tax due on property income	(20)	–
• 32.5% higher rate tax due on dividends	–	(29)
• Dividend tax credit	–	9
Investor's return after tax	60	59
<b>Enhancement of return</b>		<b>1.3%</b>

Individual basic rate tax payer		
	REIT	Taxable company
REIT/Taxable profits	100	100
Tax on company	–	(21)
PID/Dividend	100	79
Withholding tax on distribution	(20)	–
Return from investment	80	79
Tax on investor		
• Balance of 20% basic rate tax due on property income	–	–
• 10% ordinary tax due on dividends	–	(9)
• Dividend tax credit	–	9
Investor's return after tax	80	79
<b>Enhancement of return</b>		<b>1.3%</b>

Investor tax resident in a jurisdiction without a beneficial treaty with the UK		
	REIT	Taxable company
REIT/Taxable profits	100	100
Tax on company	–	(21)
PID/Dividend	100	79
Withholding tax on distribution	(20)	–
Return from investment (before application of local taxes and possible double tax relief)	80	79
<b>Enhancement of return (before local taxes)</b>		<b>1.3%</b>

Investor tax resident in a jurisdiction with a beneficial treaty with the UK		
	REIT	Taxable company
REIT/Taxable profits	100	100
Tax on company	–	(21)
PID/Dividend	100	79
Withholding tax on distribution	(20)	–
Adjustment for treaty rate on withholding tax (assume 15% rate)	5	–
Return from investment (before application of local taxes and possible double tax relief)	85	79
<b>Enhancement of return (before local taxes)</b>		<b>7.6%</b>

UK corporate investor (taxable at full corporation tax rate of 21%)		
	REIT	Taxable company
REIT/Taxable profits	100	100
Tax on company	–	(21)
PID/Dividend	100	79
Withholding tax on distribution	–	–
Return from investment	100	79
Tax on investor	(21)	–
Investor's return after tax	79	79
<b>Enhancement of return</b>		<b>Nil</b>

## Contact

If you would like to discuss any aspect raised please speak to your usual Deloitte contact or:



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