

16 May 2012

## **Capital & Counties Properties PLC**

### **Scrip Dividend Scheme: Supplemental to the Scrip Dividend Scheme Notice concerning taxation amendments in South Africa**

Following the publication of the Scrip Dividend Notice of 12 March 2012, Capital & Counties Properties PLC ("**the Company**") has been advised of particular amendments to the taxation legislation in force in South Africa. In light of these recent changes the Company, following subsequent discussions with its international advisors, understands that the tax position for South African corporate, individual and trust shareholders is likely to be altered.

The enactment and ensuing implementation of the dividends tax regime in South Africa is both unprecedented and untested by the South African judiciary. For these reasons an element of uncertainty has surrounded the amending legislation. However, recent technical corrections have brought further clarification regarding the proper interpretation of the new tax regime.

It should be noted that the questions and answers below are a supplemental to the Scrip Dividend Notice of 12 March 2012 and the two documents should be read together.

#### **Q: Have the changes to South African tax legislation affected the taxation of cash dividends?**

A: No, there has been no material change in the tax position for the receipt of cash dividends (including residual cash dividends received together with scrip dividends). A cash dividend, as discussed in the Scrip Dividend Scheme Notice, will be treated as a "*foreign dividend*" in terms of the prevailing South African tax legislation (based on *inter alia* UK advice from a UK Tax Advisor) and will be subject to dividends tax at 15 per cent.

#### **Q: Have the changes to South African tax legislation affected the taxation of the Scrip Dividend Scheme?**

A: Yes, there have been material changes with regards to the base cost of the New Ordinary Shares received by shareholders in terms of the Scrip Dividend Scheme, the details of which are discussed in greater detail below. Further, there have been refinements to the definition of a foreign dividend, the implications of which are set out below.

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**Q: What will the potential capital gains tax implications be for individuals, companies and trusts receiving New Ordinary Shares?**

A: A recent technical correction to the relevant tax legislation has amended the treatment of the base cost of the New Ordinary Shares to be received, such that these shares are to be regarded as having been acquired for expenditure equal to the amount of the distribution. The position in paragraphs 3(i)(b), 3(ii)(b) and 3(iii)(b) should, therefore, reflect that the base cost of the shares, which may be deducted from the proceeds of a future sale of such New Ordinary Shares, to be equal to the amount of the distribution received.

**Q: What will the potential dividends tax implications be for companies receiving New Ordinary Shares?**

A: In light of the new legislative language in force in South Africa and in terms of the prevailing tax legislation in the UK, the receipt of New Ordinary Shares by corporate shareholders will be treated as a "*foreign dividend*" for tax purposes in South Africa based *inter alia* on the advice of a UK Tax Advisor. The receipt of the New Ordinary Shares will be subject to ordinary income tax of 15 per cent.