

# Capital & Counties Properties PLC

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## Tax Policy for 2020/2021

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### INTRODUCTION

#### *About Capital & Counties Properties PLC*

Capital & Counties Properties PLC (“Capco” or “the Group”) is one of the largest listed property companies in central London. The Group’s key asset is the landmark Covent Garden estate where it seeks to create and grow long-term value through a combination of active asset management, strategic investment and development.

The Group is a UK Real Estate Investment Trust (“REIT”) and, as a result, all profits attributed to its property rental business (income and capital) are exempt from UK corporation tax, provided that a number of conditions are satisfied on an annual basis. These conditions include the requirement for the Group to distribute at least 90% of profits arising from its property rental business as a Property Income Distribution (“PID”). PIDs are subject to tax in the hands of Capco’s shareholders in accordance with their specific tax profile.

The Group has a significant investment in the shares of Shaftesbury PLC, a UK listed REIT which also invests in property located in London’s West End. PIDs received by the Group from its investment in Shaftesbury PLC, which the Group is required to distribute to shareholders as a PID, are exempt from UK corporation tax.

Whilst the Group is a REIT, it is subject to a number of taxes and certain sector specific charges in the same way as non-REIT companies.

#### *Tax Policy document<sup>1</sup>*

This document has been approved by the Capco Board and sets out the Group’s policy and approach in conducting its tax affairs and dealing with tax risk, and is made available to all Capco’s stakeholders. Having regard to evolving tax laws, the Capco Board continues to monitor the Group’s Tax Policy so as to ensure this document evolves with the tax environment.

The Group tax function works closely with the business to ensure that the Tax Policy supports the Group business strategy and is adopted and followed consistently across the Group ensuring that all obligations are fully complied with and tax affairs are managed appropriately.

### GROUP TAX POLICY

Capco recognises and seeks to meet the legitimate expectations of its many stakeholders.

We are committed to:

- ❖ act with integrity and transparency on all our tax compliance and reporting duties
- ❖ control and manage risks through regular reviews of our practices and systems
- ❖ ensure our Tax Policy is consistent with our Group strategy and core values
- ❖ maintain collaborative and open relationships with HM Revenue & Customs (“HMRC”)
- ❖ obtain pre-clearance from HMRC in areas of complexity and uncertainty
- ❖ proactive engagement with government bodies on changes to tax legislation
- ❖ give due consideration to the Group’s corporate and social responsibilities, reputation and the intention of the relevant tax legislation when considering tax reliefs
- ❖ maintain REIT status for the foreseeable future

1. The policy is compliant with the UK tax strategy publication requirement set out in Part 2 of Schedule 19 FA 2016 and is effective from 31 December 2020.

## **GROUP CODE OF CONDUCT**

The Capco Business Code of Conduct sets out the principles under which Group staff are expected to operate. In addition, the Capco Financial Crime Policy sets out specific requirements with respect to tax matters in support of the Group Tax Policy. Group staff receive training on these matters.

### **Tax Compliance**

The Group is committed to observe all applicable laws, rules, regulations and reporting disclosure requirements. A dedicated tax function collaborates with the business to provide the advice and guidance necessary to ensure that the Group remains fully compliant. The status of the Group's tax position is reported half yearly to the Audit Committee and quarterly to the Board with ad hoc communication in the interim as appropriate. The half yearly and quarterly reports summarise the Group's tax position with particular focus on material transactions, legislative updates and their impact on the Group. The status of the Group's tax position is subject to half yearly review by the Group's external audit firm.

### **Tax Risk Management**

Tax is an integral part of the Finance & Regulation function of the Capco Group. The tax function, members of which have the necessary experience and skill set, observes all applicable laws, rules, regulations and disclosure requirements in managing risk effectively.

Tax risk is managed through strong compliance procedures which are continuously monitored and improved. This ensures transparent financial reporting, accurate and complete tax returns and creates a strong working relationship with HMRC. The Group tax function works closely with the business to identify and track all tax risks that may impact the Group.

While the Group aims for certainty on all tax positions it adopts, in areas of tax uncertainty and complexity, the Group will seek specialist advice from an appropriate professional external adviser in addition to that of the relevant tax authority where necessary. The final course of action will be approved by the Chief Financial Officer with Chief Executive and Capco Board approval being sought where appropriate. In addition, regular updates to the Audit Committee ensure openness and transparency in areas of tax uncertainty and complexity.

### **Consistency with Group strategy**

The Group tax function, senior management and Board of Directors seek to ensure that the Group's Tax Policy is consistent with and complements the Group's overall strategy in addition to the wider governance policy and corporate values. The Group tax function considers relationships with key stakeholders and is cognisant of the Group's reputation as a responsible tax payer when managing its tax affairs.

### **Attitude toward tax planning**

The Group Tax Policy aims to support the corporate goals of Capco whilst maintaining its corporate reputation as a responsible tax payer; all decisions in relation to tax are undertaken in this context. All transactions must have a primary business purpose that is not tax driven. While the Group will seek to use available reliefs where possible, it is not the intention of the Group to pursue tax planning proposals that are deemed aggressive, carry significant reputational risk from a corporate perspective and/or would impact negatively our relationship with the tax authorities.

### **Relationships with tax authorities**

Consistent with the Group's Tax Policy is the maintenance and development of a strong working relationship with HMRC. This includes ensuring that the Group maintains its low risk profile with HMRC. The Group is committed to pay its fair share of tax including liabilities arising from: Stamp Duty Land Tax, Employment Taxes, Irrecoverable VAT, and Corporation Tax on non-property business income. Openness, honesty and transparency are strived for on all dealings with the tax authorities, keeping them informed of business activities and proactively discussing changes in tax law through formal consultations.