22 February 2013

Capital & Counties Properties PLC

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

Following the publication of the Scrip Divided 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.

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 amendments have substantially affected the tax implications for the implementation of a Scrip Dividend.

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 has been an amendment to the definition of a "*foreign dividend*" in the Income Tax Act (No 58 of 1962). The definition has been amended retrospectively, to 1 January 2011, to exclude, from the definition of a foreign dividend, any amount paid or which is payable which constitutes a share in the company making the relevant payment.

22 February 2013

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

A: In light of the new legislative language in force in South Africa the receipt of New Ordinary Shares by shareholders will be treated neither as a "*foreign dividend*" nor as a "*foreign return of capital"*. The shares received will constitute a receipt of a capital nature. The New Ordinary Shares received will, however, have a zero base cost for Capital Gains Tax purposes.