

# OUR APPROACH TO TAX



## OVERVIEW

- Overall responsibility for ensuring that tax risk is managed effectively across the Group lies with the Board, assisted by a skilled team of tax professionals.
- As a UK REIT, British Land is generally exempt from corporation tax on income and gains from its qualifying property rental business.
- We pay corporation tax on all other profits and we pay other taxes in the same way as non-REIT groups.
- We maintain regular dialogue with key stakeholders, including HMRC, on tax and strive to be transparent in our dealings.
- We have a low tolerance of tax risk and are committed to ensuring we pay the right amount of tax and in a timely way.

## TAX STATUS OF BRITISH LAND (UK REIT)

- The UK Government launched the Real Estate Investment Trust (REIT) regime in 2007 and British Land became a REIT on 1 January 2007, paying a conversion tax charge in excess of £300m.
- The policy behind the UK REIT regime is to encourage UK real estate investment by enabling shareholders to replicate the tax treatment of a direct investment in property by removing the double layer of taxation whereby shareholders were taxed once at the company level and again on the dividend they received. REITs are a well-established structure that is globally recognisable to investors.
- As a UK REIT, British Land is exempt from corporation tax on qualifying net rental income and gains from its UK investment properties. Such exempt profits are then distributed as Property Income Distributions (PIDs), which are then subject to tax in the hands of our shareholders. There are a number of conditions that are required to be met in relation to keeping and maintaining REIT status, including making sure we distribute 90% of our net rental income profits to our shareholders on an annual basis.
- British Land is also subject to a number of taxes and duties in the same way as non-REITs. During the year ended 31 March 2023 we paid £61.4m on Business Rates, Community Infrastructure Levies, Stamp Duties, Corporation Tax and Employer Duties (plus others).
- Maintenance of the British Land REIT status is a key objective of the business. We carefully monitor our compliance with the regulations of the REIT regime and consider the impact of future transactions on an ongoing basis.
- All our majority-owned investment properties are part of the REIT regime and fully subject to REIT distribution requirements. Certain JV investments that do not qualify as part of the REIT regime are subject to tax in the normal way. Whilst this position is not impacted by the location of the property holding entities, we would like all our property holding entities to be within the UK, but we recognise that this is not always possible for legacy arrangements. The exception to this rule is where a particular vehicle is needed due to JV partner requirements.

## OUR APPROACH TO GOVERNANCE AND TAX RISK MANAGEMENT

- Overall responsibility for ensuring that tax risk is managed effectively across the Group lies with the Board.
- The Audit Committee takes responsibility for overseeing the effectiveness of risk management and internal control systems on behalf of the Board, and advises the Board on the principal risks facing the Group.
- The Risk Committee (chaired by the Chief Financial Officer and comprising senior management across the business) is responsible for managing strategic and operational risk in achieving the Group's performance goals.
- The effective day-to-day management of risk is embedded in all areas of our business and forms an integral part of our core values and how we work. This approach ensures potential risks are identified at an early stage, escalated as appropriate and mitigations are put in place to manage such risks.
- Each business unit maintains a comprehensive risk register which is reviewed quarterly by the Risk Committee, with significant and emerging risks (including tax where appropriate) escalated to the Audit Committee for consideration.
- Our tax team are qualified tax professionals who are subject to the rules on Professional Conduct in Relation to Tax. The tax team engage with development of tax legislation by responding to Government consultations and through membership of relevant committees of the British Property Federation, CBI and Chartered Institute of Taxation.
- The tax team are responsible for considering the tax impacts of our business transactions, their inclusion in tax returns and liaising with HMRC as necessary.
- With the exception of Stamp Duty returns, tax returns are prepared by our in-house tax team. Stamp Duty returns are prepared by our lawyers. All tax returns are subject to appropriate levels of internal review prior to submission.
- British Land is subject to the Senior Accounting Officer legislation which makes the establishment and maintenance of appropriate arrangements for calculating its tax liabilities a formal legal obligation. British Land takes this obligation seriously and seeks to adopt an approach of continuous improvement in relation to tax compliance.
- Risk assessments have been completed and appropriate controls put in place in relation to the corporate offence of failure to prevent the criminal facilitation of tax evasion, contained in Part 3 of the Criminal Finance Act 2017.

## OUR APPROACH TO TAX PLANNING

- We are committed to ensuring compliance with the REIT regime and this is factored into all strategic business decisions.
- For this reason our transactions are guided by commercial objectives, rather than motivated by tax.
- Where we are entering into a transaction, we will always check whether there are incentives and reliefs available to us under UK law and where relevant, respond to these in line with the intention of Parliament in introducing the law/prevaling practice.
- Where appropriate we will seek advice from reputable law and accountancy firms to ensure compliance with UK law.
- The Board will only consider tax planning as a secondary matter to achieving the main commercial objectives and usually only following consultation with key internal and external stakeholders.

## OUR RELATIONSHIP WITH HMRC

- We work hard at maintaining a constructive relationship with HMRC, predominantly through regular dialogue with our Customer Compliance Manager. This enables HMRC to gain an in-depth understanding of our business and to identify any future tax risk.
- Where appropriate we will share our tax analysis of transactions with HMRC in advance and seek formal clearance of the anticipated outcome where there is significant uncertainty in how the tax law should be applied.
- We take great care to ensure our tax filings are accurate and complete. We try to ensure that any errors are swiftly and voluntarily disclosed with interest and penalties settled.
- It is important that any position adopted could not compromise our REIT status.
- British Land has a low tolerance for tax risk and uncertainty.

*This UK Tax Strategy is published in compliance with para. 16(2), sch.18, FA 2016 in respect of the period ended 31 March 2024.*