UPP Group Holdings Limited (“UPP”) Tax Strategy

Introduction

UPP is a direct 100% subsidiary of UPP REIT Holdings Ltd (“REIT Holdings”). REIT Holdings is a UK REIT incorporated in Jersey on 18 April 2017 and admitted to the Official List of The International Stock Exchange (TISE) on 28 February 2018. However, as UPP is the head of the UK corporate group, this UK Tax Strategy has been published by UPP and it covers all the members of this UK group.

REIT Holdings is UK tax resident and is the principal company of the REIT group for the UK REIT regime purposes. REIT status arises by election under a UK government implemented statutory regime that acts to replicate the tax position for shareholders as if they held direct ownership of UPP properties. As a result, the REIT group is exempt from the UK tax on the income and gains of its property rental business. Any non-property business profits in UPP are subject to UK corporation tax in the normal way.

How UPP manages UK tax risks

The governance of our business, including tax matters, is led by our Board. All UPP properties are in the UK and held by the UK tax resident entities.

UPP has an internal tax team which consists of experienced tax professionals and is led by a Tax Director. The Tax Director reports to the CFO (who is also the Senior Accounting Officer) who, in turn, reports to the boards of UPP and REIT Holdings on a regular basis.

The tax team is responsible for providing tax advice to the other internal teams as and when needed and making sure that the tax compliance process is carried out on a timely fashion and all the taxes are paid to HMRC on time. The tax team is also responsible for identifying all the tax risks relevant to the business and establishing and maintaining appropriate tax accounting systems and controls to mitigate these tax risks. In addition, a periodic internal and external review is carried out to make sure that appropriate tax accounting arrangements are in place and fit for the purpose.

The principal activity of UPP is to provide student accommodation which is a form of property rental business. The REIT regime requires that there needs to be a mechanism for calculating the profits of the property rental business, even though these profits are not subject to UK corporation tax. This is because the calculation determines i) the profits which are exempt from tax, ii) the distribution requirement and iii) the profit: financing cost ratio. In addition, there are certain other conditions and tests that need to be met to maintain the REIT status. Our tax team consists of professionals with significant REIT experience who monitor all these conditions and tests, and report to the Board on a regular basis.

In addition, as the activities of UPP and its subsidiaries also include construction of student accommodation and facilities management of this accommodation, certain aspects of taxes like CIS, VAT, and the employment status of workers need more attention and focus on a regular basis than some other areas of taxes. Appropriate resources and processes are in place to mitigate the tax risks in these areas.

UPP’s attitude to tax planning

UPP does not carry out any transactions simply to obtain a tax advantage. All transactions are driven by bona fide commercial reasons. We plan for taxation on the basis that the tax outcome of our business activities should reflect both the commercial and economic outcome and is compliant with the tax legislation without an aggressive interpretation of the tax law. For any financially large or complicated transaction, external tax advice may be sought to make sure that all the tax implications have been identified. If we consider any area of the tax law cannot be interpreted with reasonable certainty, HMRC may also be consulted about uncertain tax issues before such a transaction takes place.

The level of risk UPP is prepared to accept for UK taxation

UPP has a low tolerance for tax risk and uncertainty. Preserving the REIT status is a key objective of the Board and anything that may jeopardise the REIT status is not acceptable to the Board.

In addition, the Board has considered the implications of legislation to prevent the criminal facilitation of tax evasion contained in Part 3 of the Criminal Finance Act 2017 and risk assessments have been completed to ensure appropriate controls are in place. A policy has been published on this which is applicable to all the UPP employees.

Additionally, when considering tax outcome of a commercial transaction, the Board may take into account of the perception of the internal and external stakeholders towards the tax outcome of that transaction but the Tax Team, the CFO and the Board retain responsibility for determining the approach to be taken in relation to transactions and tax compliance.

How UPP works with HMRC

UPP is committed to a productive, open, and constructive relationship with HMRC. Due to the size of the business and our REIT status we have an HMRC Customer Compliance Manager ("CCM"). We communicate with our CCM to discuss any significant transactions and their tax implications in advance of submitting tax returns. While we take care to ensure our tax is correct and accurate, if we do become aware of an error, we will voluntarily disclose, pay any additional taxes, interest, and penalties that may be due. We would also revisit our procedures to ensure any error is not repeated.

Conclusion

This document is published by the Board of UPP Group Holdings Limited ("the Board") in accordance with Paragraph 16, Part 2, Schedule 19 of Finance Act 2016 and applies for the Financial Year ending 31 August 2024.

Mark Bamford

Approved by the Board of UPP Group Holdings Limited

17 January 2024