TAX REVENUE IMPACT OF CREATING A UK LISTED TAX NEUTRAL PROPERTY INVESTMENT VEHICLE

REPORT

BY

CITY UNIVERSITY BUSINESS SCHOOL

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FOREWORD

The Report on Property Securitisation (1995), prepared by a Working Group of the Investment Property Forum, addressed the underlying need for a successful securitised property market, and identified the main characteristics of the successful securitised property markets in the US, Australia, South Africa and Belgium. The report concluded that:-

"Tax neutral, Stock Exchange traded, well regulated securitised pooled property vehicles are becoming an increasing feature of overseas property markets. Their absence in the UK places Britain at a relative disadvantage and in the longer term threatens to undermine stability in a sector which is of great significance to the wider economy."

In response, The Investment Property Forum Education Trust has commissioned this independent research report to investigate the tax revenue impact of creating a UK listed tax neutral property investment vehicle.

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TAX REVENUE IMPACT OF CREATING A UK LISTED TAX NEUTRAL PROPERTY INVESTMENT VEHICLE

1.0 Brief

To compare the tax revenues that are generated from a direct commercial property investment portfolio, with those from a UK listed tax neutral property vehicle.

2.0 Methodology

- To identify the prospective tax revenue from:

  a benchmark direct commercial property investment portfolio.

- To compare this with:

  the prospective tax revenue from listed tax neutral property vehicles which have purchased the benchmark direct commercial property portfolio.

In the initial part of this report the tax revenue, in year one, for the benchmark direct commercial property portfolio and the securitised vehicles are assessed.

This is then followed in section 11 by an analysis of the revenues for years 2 to 5 inclusive, and by section 12 which explores alternative scenarios.

The concluding section 13 of the report summarises the tax revenue position for the benchmark direct commercial property portfolio and the securitised vehicles for years 1 to 5, and identifies the key components that influence the tax revenues.

2.1 Prospective Size of Securitised Property Market

Warburgs in their 1996 annual report estimated the potential size of a securitised commercial property market to be £17 bn. In this report we have assumed that the following value of the direct property investments are injected into securitised vehicles:

TABLE 1

Year	Cumulative value of Properties in Securitised Vehicle
1	£1 billion
2	£2.5 billion
3	£4.5 billion
4	£7.0 billion
5	£10.0 billion

The benchmark portfolio in this analysis is taken to have the values as set out above over the 5 year period being addressed.

2.2 Alternative Scenarios

Different views may be taken as to the prospective values of the key variables in this report. We have sought to incorporate into this report realistic estimates for each of the key variables. In Appendix I is appended a disk with an Excel spreadsheet programme, which will allow alternative scenarios to be considered, by inputting different figures for each of the key variables. The key variables in the spreadsheet that can be altered are:

- Benchmark portfolio size
- Investor make up of the Benchmark portfolio
- Tax rates of the investors
- Turnover rates
- Investor make up of the Securitised vehicle
- Prospective real capital growth rates
- Payout ratio of the Securitised vehicle
- Contingent Capital Gains
- Prospective average rental growth rates

This will enable alternative scenarios to be explored.

3.0 Terminology

In this report, the following terms are taken to be read as:-

Benchmark portfolio	=	the direct commercial property investment portfolio.
Securitised vehicle	=	UK listed tax neutral property investment vehicle into which the benchmark portfolio has been injected.
IPD	=	Investment Property Databank Ltd
Overseas	=	Overseas Investor/Effectively Tax Exempt Investors

4.0 Investor Type: Direct Property Market

In this section the main owners of the UK direct commercial property market are identified.
However, it is our expectation that, initially, it will be property investors who will seek to transfer properties into the securitised vehicles. Thus from the figures for the total commercial property market we have estimated the composition of the UK property investment market by types of owner. The structure of the ownership of the investment market is then used by us to determine a realistic composition of the owners of the benchmark portfolio.

The composition of the owners of the benchmark portfolio is then, in Section 5, looked at in terms of their respective tax status, since the tax position of the owners of this commercial property portfolio will influence the tax revenues receivable.

We estimate the market capitalisation of the commercial property market to be around £300bn. On taking out owner occupied property, we estimate the capitalisation of commercial property investments to be around £175bn. These figures are set out in Table 2 below.

TABLE 2 **COMMERCIAL PROPERTY OWNERSHIP**

Investor Type	Estimated Total UK Property Owned		Source	City University Estimate of Investment Property	
	£ Billion	%		£ Billion	%
Life Insurance Companies	35.9	12.0	CSO Q3 1995	35.9	20.5
General Insurance Companies	2.1	0.7	CSO Q3 1995	2.1	1.2
Pension Funds	24.4	8.1	CSO Q3 1995	24.4	14.0
Charities	5.0	1.7	Henderson Charities Book*	0.5	0.3
Government/Public Sector	22.0	7.3	*	3.0	1.7
Listed UK Property Companies	27.0	9.0	Datastream	27.0	15.4
Other UK Property Companies	26.0	8.7	*	26.0	14.9
UK Unit & Investment Trusts	2.3	0.8	CSO Q3 1995	2.3	1.3
Listed UK Non-Property Companies	85.0 +	28.3	Datastream *	20.0	11.4
Private UK Non-Property Companies	20.0	6.7	*	1.5	0.9
Overseas Investors/Companies	35.0	11.7	*	20.0	11.4
Others/Private Investors	15.0	5.0	*	12.0	6.9
TOTALS					
	300	100%		175	100%

* City University Business School estimate
\+ Total including overseas properties = £120 bn source Datastream

4.1 Investors Selling Direct Property Investments to the Securitised Vehicles

The Property Securitisation Report (1995) identified that there was latent demand amongst institutional investors (pension funds and insurance companies - predominantly UK based, but also some overseas) for securitised property vehicles. In the light of this latent demand, we believe that in the initial years institutional investors will take the lead in transferring some of their direct property portfolios into traded securitised vehicles.

A key finding of the Property Securitisation Report (1995) concluded:

"There is a requirement for tax neutral, Stock Exchange tradeable, information transparent securitised property vehicles. These vehicles would assist Property Fund Managers in managing property investment risk by shifting the mix of their property portfolios, particularly at the margin, and would enable institutional investors to outsource a proportion of their property management activities."

In particular, we expect the medium-sized and smaller pension funds (those few remaining that still hold direct property) to view securitised vehicles as being good substitutes for direct property. Accordingly we consider that such pension funds will play a significant role and be amongst the first contributors of property to the securitised vehicles. We also anticipate that Life Insurance Companies will play an active role in selling properties to the securitised vehicles. We, however, do not envisage that private investors will transfer properties into these securitised vehicles.

4.2 Investor Make-Up of Benchmark Direct Property Investment Portfolio

With 4.1 above in mind, we now consider the investor make up of the benchmark portfolio which is to be securitised. Our estimate of the profile of the owners of the benchmark portfolio is as follows:-

TABLE 3

Investor Type	Expected Sales to Benchmark Portfolio Year 1	% of Benchmark Portfolio	% ownership of property investment market *
Insurance Companies - Life Fund - Pensions Business	 £150 million £150 million	 15% 15%	22%
Corporate investors	£300 million	30%	43%
Tax exempt investors	£300 million	30%	16%
Effectively tax exempt investors	£100 million	10%	11%
Private Investors	£0 million	0%	7%
TOTAL	£1,000 million	100%	

* City University Business School Estimates

4.3 Transfers from Listed Property Companies

In Appendix D we set out the market capitalisations of the UK listed property companies. The top 10 companies make up 68% of the sector's capitalisation. We have included in the tax paying investors category transfers of properties from UK listed property companies into the securitised vehicles. The spreadsheet on the disk attached enables one to change this assumption.

5.0 Tax status of the owners of the Benchmark Portfolio

In this section, the tax statuses of the main prospective owners of the Benchmark Portfolio are considered.

The owners of the property investment market as set out in Table 2 above have been split into five tax categories, namely:

5.1 Tax Exempt Investors

Tax Exempt Property investors have been taken to include: Pension Funds, Charities, and the UK Government/Public Sector.

5.2 Effectively Tax Exempt Property Owners

Effectively tax exempt property owners have been taken to be Overseas Investors

Please refer to Appendix E for further details.

5.3 Insurance Companies

Insurance Companies in practice are a combination between the Life Funds of Insurance Companies and their Pension Business. These two distinct activities have been separated as their tax rates are different.

5.4 Corporate Investors

Tax paying investors have been taken to include listed and other UK property companies, listed and other non-property companies, other companies and private property owners.

Given the lot size of commercial property investments is usually large (£250,000 to several £100s of millions) it may be expected that those corporate tax paying investors transferring property into securitised vehicles will be large. Thus few, if any, are expected to benefit from the small companies tax rates. Accordingly, the large companies tax rates have been taken used by us in this analysis.

5.5 Private Investors

It has been assumed that those private investors involved in direct property investment have a 40% marginal tax rate. Though it should be remembered that in this report we have made the assumption that no private investors transfer properties into the benchmark portfolio.

In terms of private investors in the securitised vehicles we have assumed one quarter of the private investors pay tax at 24% and the remaining three quarters pay 40%, giving a weighted average tax rate of 36%.

TABLE 4

Tax Status of the owners of the Benchmark Portfolio		
Investor Group	Tax on Capital Gains	Tax on net rental income
Tax Exempt	Nil %	Nil %
Effectively Tax Exempt	Nil %	5 %
Insurance Companies - Life funds - Pension Business	 25 % Nil %	 25 % Nil %
Corporate Investors	33 %	33 %
Private Investors - direct property - securitised vehicle	 40 % 36 %	 40 % 36 %

6.0 Tax Revenues from the Benchmark Portfolio: Year 1

In this section the tax revenues from the benchmark portfolio, for year 1, are considered under the following headings:

- Tax on Net Rents Receivable
- Stamp Duty on Purchases
- Tax on Capital Gains
- VAT
- Capital Allowances

6.1 Tax on Net Rents Receivable: Year 1

The income returns on the IPD database have averaged 6.5% for the period 1980-1994, and were 8.8% and 7.8% respectively for 1993 and 1994. For this analysis, we have taken an income return of 7.5% per annum, which is equal to PMA's forecast average yield figure.

TABLE 5

Tax on Net Rents Receivable: Year 1		
Insurance Companies		**Tax**
- **Life Fund**		
Properties	£150m	
Average Yield	7.5%	
Net Rents	£11.25m	
Tax Rate	25%	
		£2.8m
- **Pensions Business**		
Properties	£150m	
Average Yield	7.5%	
Net Rents	£11.25m	
Tax Rate	0%	
		0
Tax Exempt Investors		
Properties	£300m	
Average Yield	7.5%	
Net Rents	£22.5m	
Tax Rate	0%	
		0
Corporate Investors		
Properties	£300m	
Average Yield	7.5%	
Net Rents	£22.5m	
Tax Rate	33%	
		£7.4m
Effectively Tax Exempt Investors		
Properties	£100m	
Average Yield	7.5%	
Net Rents	£7.5m	
Tax Rate	5%	
		£0.4
Total Estimated tax take on income: Year 1 =		**£10.6m**

6.2 Stamp Duty on Purchases: Year 1

Stamp duty on commercial property transfers is levied on purchasers at the rate of 1% of the transfer value of the property. This tax is payable by all participants in the property market.

To arrive at a figure for the annual turnover of properties within the benchmark portfolio, we have considered the figures relating to the £45.5 billion commercial property portfolio analysed by IPD. This £45.5 billion portfolio is predominantly owned by institutional investors, and comprises the following investor classes:

TABLE 6

IPD Portfolio: Investors	
Insurance Companies	54%
Pension Funds	26%
Short Term Funds	11%
Other	9%
TOTAL	100%

We set out in Appendix F details of the IPD All Funds profile for 1990-1994.

The weighting towards "Insurance Companies", in particular, in the IPD portfolio is higher than in our Benchmark Portfolio, and in contrast the weighting towards "Other" is lower. However, given the scale and institutional nature of the IPD portfolio, we believe that it is reasonable to adopt the IPD turnover figures as a good indicator of the prospective turnover in the Benchmark Portfolio.

We set out in Appendix G the annual rate of property purchases in the IPD portfolio: The average annual turnover rates are as follows:

1981-1994	4.8% per annum
1986-1994	6.0% per annum

In this sub-section, we identify the stamp duty tax take from the owners of the benchmark portfolio adding new properties to the "portfolios". However, in this section we are not considering purchases undertaken by outsiders purchasing properties from the benchmark portfolio, (any changes in the revenues from these third party purchasers is addressed in section 8.5, which considers the tax take from securitised vehicles, effectively the other side of the coin).

On the basis of purchases representing 6% p.a. of the benchmark portfolio, this would produce an average stamp duty tax take of:

TABLE 7

Stamp Duty on Purchases: Year 1			
			Tax
Benchmark Portfolio size	=	£1000m	
Estimated Annual turnover	=	6%	
Total turnover		£60m	
Stamp Duty @ 1%		x 0.01	
Stamp Duty Tax Take			£0.6m

6.3 Tax on Capital Gains: Year 1

In practice, in order to estimate the tax revenue on capital gains made on sales from the benchmark portfolio, four key variables would need to be determined:

- the percentage rate of sales per annum
- future capital returns on the benchmark portfolio adjusted for the rate of inflation
- the spread of returns likely to be encountered at the level of the individual property
- the sales strategy of the investors (eg random, realise gains or take losses) and the extent to which real gains or actual losses are crystallised.

The prospective sales strategy of investors is not known and it is not therefore possible to forecast whether those properties sold will show average, below average or above average, capital gains or losses.

Accordingly, we have calculated the Capital Gains Tax Revenues on the basis of the average real capital gains that might be expected.

Given an average annual turnover of 6% p.a. this equates to an average holding period of 16.7 years. On the basis of total purchase/sale costs of say 4. 5%, this would produce an equivalent annual cost of 0.3% p.a.

If this is added to the real capital return over the period 1971-1994 of -3.3% per annum as measured by the IPD index (see Appendix H), it produces a net of transaction costs return of -3.6% per annum. On this basis only limited capital gains tax revenues might be expected.

The size of the contingent capital gains tax liabilities in the benchmark portfolio is hard to determine. The figure for contingent capital gains tax liabilities for the UK listed property companies is estimated at 5.7% as at December 1995, (source SBC Warburgs 1995 Annual Property Review). It should be noted that this figure for contingent capital gains is significantly higher than the real capital losses as measured by the IPD index. One reason for the existance of contingent capital gains tax liabilities is that only <u>actual</u> losses may be offset against real capital gains. This lack of indexation on losses will increase the level of contingent capital gains. We believe that this higher level of gains in the property company portfolios is largely due to higher levels of development activity and is as a result of surpluses accruing on developments which have been subsequently held as investments.

In the benchmark portfolio, there are two types of investor subject to capital gains tax - the Life Funds of Insurance Companies and the Corporate Investors. We have adopted a figure of 3% as being the level of contingent capital gains tax for the Life Funds and 5.7% for the Corporate Investors.

We have as our best estimate adopted a prospective market real capital growth rate of 1% p.a. (source PMA) in our calculations below, which has been added to the contingent capital gains tax liability to give total prospective average taxable capital gains. Sales, it is assumed, occur on average at the mid-year point, giving in year 1 an average growth rate of 0.5%. Thus the average prospective capital gains tax take is as follows:

In Appendix A, we set out our estimates for the range of capital gains that might be forthcoming under different growth scenarios.

TABLE 8

Tax on Capital Gains: Year 1			
Insurance Companies			
			Tax
-	**Life funds**		
	Properties	£150m	
	Average turnover p.a.	6%	
		£9m	
	Real capital gains (3% contingent + 0.5% average for year 1) =	3.5%	
		£0.3m	
	Tax at 25%	x 0.25	
			£0.1m
Corporate Investors			
-	Properties	£300m	
	Average turnover p.a.	6%	
		£18m	
	Real capital gains (5.7% contingent + 0.5% average for year 1) =	6.2%	
		£1.1m	
	Tax @ 33%	x .33	
			£0.4m
TOTAL (rounded)			**£0.4m**

6.4 **VAT on transaction fees incurred by investors in Benchmark Portfolio: Year 1**

This will be a relatively small figure but may be expected to be positive. Given the relatively small scale of this sum, we have not included it in our overall figures.

6.5 **Capital Allowances: Year 1**

Capital allowances can be used by tax paying investors to reduce their tax payable.

The transfer from the benchmark portfolio to the securitised vehicle will produce an acceleration in the timing of the tax take, but will not otherwise alter the total of the capital allowances available. This figure will be positive, thanks to the timing benefits, but we have assumed that it will only represent a relatively small tax gain and therefore have not included it in our overall figures.

6.6 Summary of Tax Revenues: Year 1

TABLE 9

Benchmark Portfolio: Year 1	**Tax Revenues £m**
Tax on Net Rents Receivable	£10.6
Stamp Duty Tax on Purchases	£0.6
Capital Gains Tax on Sales	£0.4
Total Tax Revenues (rounded)	**£11.7m**

7.0 Structure of the Securitised Vehicles

In this section the structure of successful international securitised property vehicles are analysed, and their key characteristics identified.

These key characteristics provide the basis for the structure of the UK securitised vehicle under analysis in this report.

Three international securitised property vehicles are to be considered, namely:-

Real Estate Investment Trusts in the USA; Listed Australian Property Trusts, and Belgian Close-End Real Estate Investment Companies. The characteristics of each of these vehicles are described below. Their characteristics are an integral part of their having tax neutral structures.

7.1 Real Estate Investment Trusts in the US (REITs)

REITs were initially created under a 1960 amendment to the Internal Revenue Code. At that time REITs could only be organized as an unincorporated business association. This requirement was amended in 1976. REITs are accorded beneficial tax treatment provided they meet certain requirements. The most significant ones are summarized below:

1. At least 95% of earnings must be distributed to shareholders.
2. At least 75% of assets must be in real estate, loans
3. At least 75% of revenues must derive from rents, mortgage interest, and gains from selling real estate.
4. REITs must have at least 100 shareholders. Not more than 50% of outstanding shares may be held by five or fewer individual shareholders.
5. REITs must contract with outside professionals to carry on certain management activities. Property management must be delegated. Major decisions must be made by Board of Trustees, with operational decisions delegated to Trust Advisor or officers.
6. REITs cannot engage in speculative activities nor engage in short-term holding of real estate for quick profit i.e. a minimum holding period of 5 years.
7. REITs have no gearing controls, but typically are 30-40% geared.

If the REIT meets the distribution requirements along with the other qualifications, then income is passed through to investors, avoiding corporate tax. Although a REIT may shelter distributions through depreciation or other losses, it cannot pass net losses through to the shareholder, and net losses may only be carried forward. Thus a REIT may only pass through profits.

Typically, a REIT has a board of trustees responsible for major decisions. Day-to-day operations are delegated to the trust advisor and/or internal management. Trust advisors are independent contractors, but may be separate entities controlled by the REIT's sponsors. Trust advisors typically earn fees of 0.5 to 1.5% of invested assets. Property management must be delegated to an outside entity.

However, the property manager may also be a subsidiary of either the sponsor or the advisor. Property managers are compensated on a percentage of gross revenue which can vary from 1 to 5%.

Source: Kapplin and Schwartz 1995

Withholding tax is levied on overseas investors.

Appendix B shows the growth in the market capitalisation of the US REITs markets.

7.2 Australian Listed Property Trusts (ALPTs)

The rules relating to ALPTs are broadly similar to those of REITs. However, gearing is restricted to 60%, though typically is 10-20%. 100% of pre-tax profits have to be distributed.

Appendix C shows the growth in the market capitalisation of the Australian Listed Property Trust market.

7.3 Belgian Close-Ended Real Estate Investment Companies (SICAFIs)

The Belgian government has recently implemented legislation to allow the creation of tax transparent closed-ended real estate companies to invest in Belgian or foreign real estate. The requirements are:

- 80% of net income must be paid out as dividends.
- the shares must be offered to the public and listed.
- activities must be limited to investments in real estate (to include real estate certificates) in Belgium or overseas.
- maximum of 20% in any one property.
- maximum borrowing capacity of 33.3% of total assets.
- assets must be assessed at regular intervals by independent valuers.
- capital gains on sale of assets free of tax provided 80% distributed or reinvested within four years.
- dividends subject to withholding tax of 13.39%

Source Property Securitisation (1995)

The main characteristics of these vehicles have been taken namely

- high payout (> 80% assumed)
- low gearing

7.4 Key Characteristics of Successful International Securitised Property Vehicles

Taking the characteristics of the REITs, ALPT, SICAFIs and other comparable vehicles in the world, the working group on the Securitisation Report (1995) pointed to the following as being the key characteristics of the successful international property equity securitisations:

- tax neutrality
- liquidity
- transparency of information
- sound regulatory environment
- diversity
- ability to gear within defined limits
- high payout ratios
- management quality
- specialist portfolios
- an asset allocation tool
- multi-asset vehicles more popular than single asset vehicles
- with the exception of Germany, close-ended structures preferred to open-ended

Source: Securitisation Report (1995)

7.5 Tax Neutrality

A critical ingredient in the development of large, liquid securitised property markets has been the ability of listed ownership vehicles to offer tax-comparability with the direct ownership of property. Without tax-comparability there is inevitably a financial disincentive for property assets to move from direct ownership into securitised formats. The speed and extent of property securitisation in different markets around the world has reflected the extent to which the advantages of liquidity and divisibility have outweighed any financial disincentive created by the unequal tax status of listed property investment ownership structures. In those markets where no such disadvantage exists, large, liquid and robust property securities markets have developed.

7.6 High Payout Ratios

For the three international vehicles analysed above, they all have high payout ratios, as shown in the table below:

TABLE 10

Vehicle	Required Payout Ratio
Real Estate Investment Trust	> 95% of Taxable Income
Australian Listed Property Trust	100% of Pre-Tax Profits
SICAFIs	> 80% of Net Income

7.7 Tax Structure of UK Securitised Vehicle

For the purpose of this report it has been assumed that the tax structure of the UK securitised vehicle being analysed is broadly comparable to the tax neutral vehicle seen overseas. We have therefore adopted the following tax structure to give effective tax neutrality in relation to direct property investments.

- Income distributions from the vehicle are assumed to have tax deducted at source at the rate of 20%. These income distributions have been treated as annual payments, and not dividends.

- Capital Gains are levied on the gains resulting on share transfers, but not within the vehicle.

- Tax on retained earnings is taken at the 20% rate.

- Overseas investors, it is assumed are unable to reclaim the 20% tax levied on the income distribution.

8.0 Investors in the Securitised Vehicles

We have adopted the following investor profile for the securitised vehicles:

TABLE 11

Investor	Benchmark Portfolio	Securitised Vehicle
Tax Exempt	30%	30%
Effectively Tax Exempt	10%	5%
Insurance Company		
- Life Fund	15%	15%
- Pension Business	15%	15%
Corporate Investors	30%	30%
Private Investors	0%	5%
TOTALS	100%	100%

Namely, we have opted for a broadly similar investor profile to that of our benchmark portfolio. Experience from the US REITs market points to private investors becoming more involved with REITs as the market has become established.

9.0 Tax Revenue from Securitised Vehicles: Year 1

The tax revenues will be looked at under the following headings:

- Stamp Duty (Assets transfer)
- Capital Gains (Assets transfer)
- Tax on Net Revenues
- Stamp Duty (share transfers)
- Capital Gains (share transfers)
- Stamp Duty (on Property Portfolio)
- Capital Gains (within a vehicle)
- Capital Allowances
- Value Added Tax

9.1 Stamp Duty on transfer of assets into vehicle: Year 1

Any stamp duty levied on the transfer of properties into the securitised vehicles on their formation would be a one-off source of tax revenue. In this report we have assumed stamp duty from such transfers is not levied and thus no additional tax is raised.

However, if stamp duty were to be levied on the transfers of properties into the securitised vehicle then the following one off tax revenues would be received:-

TABLE 12

Stamp Duty on Transfer of Properties into the Securitised Vehicle		
Year	Transfers	Stamp Duty
1	£1 bn	£10 m
2	£1.5bn	£15 m
3	£2.0 bn	£20 m
4	£2.5 bn	£25 m
5	£3.0 bn	£30 m

We note the potential tax revenues but due to their one-off nature have not included them in our overall figures.

9.2 Capital Gains Payable on Transfers into the Securitised Vehicle: Year 1

The two groups of investors liable to pay capital gains on transferring properties from the Benchmark Portfolio to the Securitised Vehicle will be the Life Funds of the Insurance companies and the Corporate Investors. An exception where the payment of capital gains tax might not become payable is where an existing company is reconstructed, and the capital gains are rolled-over. Taking a conservative view we have assumed that no capital gains are rolled-over.

The calculations of the potential average capital gains tax receipts due to the one-off transfers into the securitised vehicle are set out in Appendix I, and assume contingent capital gains of 3% for the Life Funds of Insurance companies and 5.7% for Corporate Investors.

TABLE 13

Capital Gains Payable on Transfers into the Securitised Vehicle	
Year	Tax Revenues
1	£6.8m
2	£12.2m
3	£19.0m
4	£27.3m
5	£36.9m

Please refer to Appendix I for the calculations relating to the above table.

We note these potential tax revenues but due to their one-off nature have not included them in our overall figures.

9.3 Tax on Net Revenues Receivable: Year 1

The tax revenues have been addressed on the basis of an income payout of 80%.

In terms on the income distributions from the securitised vehicle the tax exempt investors (including the Pensions Business of Life Insurance Companies) will be able to reclaim all the tax deducted at source from the distributed income. However, there will be a timing difference relating to any monies retained by the securitised vehicle, which are assumed to be taxed at 20%. This tax would be recoverable if a full distribution of the retained earnings were made at a future date, but not be recoverable whilst the monies are held in the vehicles. Accordingly, the tax paid on the retained earnings has been credited as tax revenues receivable but could be distributed in due course to provide the exempt investors with a gross sum.

The 20% tax on the distributions to the Effectively Exempt Investors is taken as being withholding tax.

For the Private Investors, it has been assumed that they are obtaining 5% p.a. gross on their alternative investments, which results in a 2.5% p.a. increase in income to them from investing in the securitised vehicle.

TABLE 14

Securitised Vehicles: Tax on Net Revenues Receiveable: Year 1		
Exempt Investors		**Tax**
Securitised Investments	£300m	
Net Property Yield @ 7.5%	x 0.075	
Pre-Tax profits	£22.5m	
Distributed	80%	
	£18m	
Tax on distibuted incomes @ 0%	x 0%	
		£0m
Effectively Exempt Investors		
Securitised Investments	£50m	
Net Property Yield @ 7.5%	x 0.075	
Pre-Tax profits	£3.75m	
Distributed	80%	
	£3m	
With-holding Tax @ 20%	x 20%	
		£0.6m
Insurance Company		
- **Life Fund**		
Securitised Investments	£150m	
Net Property Yield @ 7.5%	x 0.075	
Pre-Tax profits	£11.25m	
Distributed	80%	
	£9m	
Tax @ 25%	x 25%	
		£2.3m
- **Pension Business**		
Securitised Investments	£150m	
Net Property Yield @ 7.5%	x 0.075	
Pre-Tax profits	£11.25m	
Distribued	80%	
	£9m	
Tax on retained incomes @ 0%	x 0%	
		£0m
- **Corporate Investors**		
Securitised Investments	£300m	
Net Property Yield @ 7.5%	x 0.075	
Pre-Tax profits	£22.5m	
Distributed	80%	
	£18m	
Tax at 33%	x 33%	
		£5.9m
- **Private Investors**		
Securitised Investments	£50m	
Net Additonal Yield @ 2.5%	x 0.025	
Pre-Tax profits	£1.25m	
Distributed	80%	
	£1m	
Tax at 36%	x 0.36	
		£0.4m
- **Securitised Vehicle**		
Securitised Investments	£1000m	
Net Property Yield @ 7.5%	x 0.075	
Pre-Tax profits	£75m	
Retained	20%	
	£15m	
Tax at 20%	x 20%	
		£3.0m
TOTAL (rounded)		**£12.2m**

9.4 Stamp Duty Take on Turnover of securitised units

The stamp duty take on the transfer of the shares in the tax transparent vehicle will be a function of turnover in the market and the sector capitalisation.

Experience from the REIT, ALPT and UK Listed Property Company (LPC) markets gives the following figures:

TABLE 15

Turnover As A % of Sector Capitalisation		
Securitised Vehicle	**Average p.a.**	**Source**
REITs (USA)	40%	IPF Securitisation Report
ALPTs	25%	IPF Securitisation Report
LPCs (UK)	34%	Warburgs

On the basis of a sector market capitalisation of £1000m following the securitisation of the benchmark portfolio into tradeable securities and taking a 30% turnover rate per annum as a percentage of the sector's capitalisation, this gives:-

TABLE 16

Stamp Duty on Share Transactions: Year 1		
Tax		
Sector Capitalisation =	£1000m	
Turnover @ 30%	x 0.3	
Shares transacted	£300m	
Stamp Duty @½% =	x.005	
Tax Take		**£1.5m**

9.5 Capital Gains Tax on transfer of shares: Year 1

In order to estimate the tax revenue on capital gains made on the shares in the securitised vehicles, four key variables would need to be determined

- the percentage rate of purchases per annum
- future capital returns on the securitised vehicle adjusted for the rate of inflation
- the spread of returns likely to be encountered at the level of the shared in vehicle
- the sales strategy of the investors (eg random, realise gains or take losses)

The prospective sales strategy of investors in the securitised vehicles is not known and it is therefore not possible to forecast whether those shares sold will show average, below average or above average capital gains or losses.

Accordingly, we have calculated the Capital Gains Tax Revenues on the basis of the average real capital gains that might be expected.

We have as our best estimate adopted a prospective market real capital growth rate of 1% per annum (Source PMA) in our calculations below. To this we have added 1.2% per annum to reflect the retained earnings in the vehicle, (namely 20% of 7.5% income less 20% tax) to give a 2.2% per annum real growth rate for the securitised vehicle.

We have taken total annual share purchases to be at 30% of the capitalisation of the securitised vehicle (see Section 9.4 above). The average growth rate of 2.2% p.a. is adjusted to reflect the premise that sales on average occur at mid-year, giving 1.1% growth in Year 1.

This gives an average capital gains tax as follows:

TABLE 17

Securitised Vehicle: Capital Gains Tax on Share Sales: Year 1		
Insurance Companies		
Life Fund		
Shares	£150m	
Average turnover p.a.	30%	
	£45m	
Real Capital Gains	1.1%	
Taxable Gain	£0.5m	
Tax @ 25%	x 0.25	
		£0.1m
Corporate Investors		
Shares	£300m	
Average turnover p.a.	30%	
	£90m	
Real Capital Gains	1.1%	
Taxable Gain	£1.0m	
Tax @ 33%	x.33	
		£0.3m
Private Investors		
Shares	£50m	
Average turnover p.a.	30%	
	£15m	
Real Capital Gains	1.1%	
	£0.17m	
Tax @ 36%	x.36	
		£0.1m
TOTAL		**£0.5m**

In addition to the above figures there will be timing benefits as follows:

- Exempt Investors

  These investors receive income distributions net of 20% tax, and have a small delay before being reimbursed by the Revenue, for this is tax paid at source. In practice, the Revenue have the use of the monies for a couple of months on average.

- Tax Paying Investors

  These investors receive income distributions net of 20% tax whereas rents are received gross. In practice the tax deducted at source on the distributions from the securitised vehicle may be received by the Revenue before the tax on rents, thereby by providing an accelerated tax take.

The revenue benefits relating to the above two items will be small, but can be expected to be positive. Given their size relative to other tax receipts they have not been included in our figures.

In Appendix A we set out our estimates for the range of capital gains that might be forthcoming under different growth scenarios.

9.6 Stamp duty on turnover of properties held in the securitised vehicle: Year 1

The tax take on stamp duty needs to be put into the context relative to the typical turnover of properties that might be expected to be sold in the benchmark portfolio.

Section 6.2 shows the turnover running at a forecast of 6% per annum. This is a higher level of turnover than might reasonably be expected in the newly formed securitised property portfolios.

We have assumed the turnover of sales at 2% per annum for the first 5 years resulting in a shortfall of 4% per annum on what might be expected in the direct property portfolio.

TABLE 18

Stamp Duty:	Property Transfers within the vehicle	
Portfolio size	£1000m	
lost turnover @4%	x -0.04	
	-£40m	
Stamp Duty @ 1%	x 0.01	
Tax take		-£0.4m

9.7 Capital Gains within the vehicle: Year 1

The assumption is that capital gains tax will not be levied on property transactions within the vehicle.

9.8 Capital Allowances

Capital allowances for the newly securitised benchmark portfolio would be passed into the vehicle. A timing benefit would accrue in tax take terms. For the purposes of this report and given the relatively small size of these timing benefits the figure is thought to be relatively insignificant.

9.9 Value Added Tax

Value Added Tax would be collected on the transfer fees of share transactions, and we expect this sum raised to be relatively small but positive.

Value Added Tax on the property portfolio would be broadly similar to that for the Benchmark Portfolio.

9.10 Summary of Tax Revenues Securitised Vehicle: Year 1

TABLE 19

Securitised Vehicle: Year 1	Tax Revenues
Tax on Net Revenues Receivable	£12.9m
Stamp Duty: Share Transfers	£1.5m
Stamp Duty: Properties in Vehicle	-£0.4m
CGT on Share Transfers	£0.5m
Total Tax Revenues (rounded)	**£14.4m**

10.0 Securitised Vehicles Issue Prices

Property companies shares tend usually to trade at discounts to the current estimate of their fully diluted Net Asset Values (NAV). The graph in Appendix D shows the graph for the average discount to NAV for the property sector, together with a graph showing the levels of contingent capital gains within the property company's property portfolios.

Key factors influencing the discount/premium to NAV are

- Management
- Contingent Capital Gains Tax Liabilities
- Valuation levels
- Gearing
- Liquidity of shares
- Information

Source Venmore-Rowland (1992)

One significant difference between listed property companies and the securitised vehicles is that the securitised vehicles would have

- high payout ratios
- high levels of information transparency
- no contingent capital gains tax liabilities
- low running costs
- relatively high dividend yields

A feature of the securitised vehicles which may be expected to keep the discount to a minimum would be the relatively high dividend yield, thanks to having a high payout ratio.

We predict that investor demand for securitised property vehicles will enable the vehicles to be issued at close to their NAVs. This is in line with the experience of the pricing of REITs and ALPTs where new issues point to trading being close to the NAV figure for the vehicle.

Accordingly, we would not expect new issues to trade at significant discounts to their NAV.

11.0 Tax Revenue Position: Years 1:5

We set out below our estimates of the tax position for Years 1 to 5:

YEAR 1

Source	Benchmark Portfolio Tax £m	Securitised Vehicle Tax £m	Tax Take Impact £m
Tax on Income	10.6	12.9	+2.3
Stamp Duty	0.6	1.1	+0.5
Capital Gains	0.4	0.5	+0.0
Totals (rounded)	**11.7**	**14.4**	**+2.8**

YEAR 2

Source	Benchmark Portfolio Tax £m	Securitised Vehicle Tax £m	Tax Take Impact £m
Tax on Income	26.6	33.5	+6.8
Stamp Duty	1.5	2.8	+1.3
Capital Gains	1.3	3.4	+2.1
Totals (rounded)	**29.4**	**39.6**	**+10.2**

YEAR 3

Source	Benchmark Portfolio Tax £m	Securitised Vehicle Tax £m	Tax Take Impact £m
Tax on Income	51.7	62.6	11.0
Stamp Duty	2.7	5.0	2.3
Capital Gains	2.8	10.3	7.5
Totals (rounded)	**57.1**	**77.9**	**+20.8**

YEAR 4

Source	Benchmark Portfolio Tax £m	Securitised Vehicle Tax £m	Tax Take Impact £m
Tax on Income	83.6	101.3	+17.8
Stamp Duty	4.2	7.7	+3.5
Capital Gains	4.9	22.7	+17.8
Totals	**92.6**	**131.7**	**+39.1**

YEAR 5

Source	Benchmark Portfolio Tax £m	Securitised Vehicle Tax £m	Tax Take Impact £m
Tax on Income	124.2	150.6	+26.4
Stamp Duty	6.0	11.0	+5.0
Capital Gains	7.8	42.1	+34.3
Totals	**138.0**	**203.7**	**+65.7**

12.0 Alternative Scenarios

Set out in Appendix I are spreadsheet calculuations for alternative scenarios for our best estimate adjusted for the following:

- 100% payout by the securitised vehicle
- Real capital growth for both the Benchmark Portfolio and the Securitised Vehicle of 0% p.a. and a 100% payout by the securitised vehicle
- Real capital growth for the Benchmark Portfolio of 0% and 1.2% for the Securitised Vehicle assuming a 80% payout level
- Nil private investors in the securitised vehicle

In each of the above scenarios, the total tax revenues for the securitised vehicles exceeds that of the Benchmark Portfolio.

A copy of the Excel Spreadsheet disk is available should alternative scenarios be required.

13.0 Conclusion

The above figures indicate that there are positive tax take implications should a UK listed tax transparent commercial property vehicle be introduced into the market place.

The key elements which make this process tax beneficial are that

- the higher levels of turnover experienced in the listed markets relative to the direct property market will provide a larger amount of stamp duty revenues for the securitised vehicles relative to the direct property market.

- the higher turnover rate in the shares of securitised vehicle will accelerate the tax take from capital gains in the short to medium term.

- overseas investors in the securitised vehicles will suffer witholding tax on their income distributions, whereas on rental income their effective tax rate will be much lower. In addition a timing benefit will occur as retained profits will, we assume, be taxed at a 20% rate. Whereas, we assume, with direct property all rents are distributed gross of tax.

- Additionally, as the securitised vehicles are set up, significant "one off" stamp duty and capital gains tax receipts may be gained on the transfer of properties into these vehicles. These revenues are significant and are set out in Section 9.1, Table 12, and Section 9.2. Table 13 but have not been included in the summary of the annual tax revenue benefit figures below.

We believe that the tax revenue implications, as shown in Section 11, will be positive should a UK listed, tax neutral, property investment vehicle be created. On the basis of our assumptions the benefit is as follows:-

SUMMARY OF TAX REVENUE BENEFIT	
YEAR	**TAX REVENUE BENEFIT**
1	+ £3.4m
2	+ £11.5m
3	+ £23.1m
4	+ £41.9 m
5	+ £68.6 m

Alternative scenarios were explored in section 12 which all produced positive revenue benefits. Copies of the Excel spreadsheet disk are available on request should other scenarios be required.

We conclude that under all realistic scenarios the tax benefits are positive and robust.

APPENDIX A

DISTRIBUTION OF CAPITAL GAINS ON SALES: BENCHMARK RELATIVE TO SECURITISED VEHICLE

Capital Gains on sales from the Benchmark Portfolio: Years 1-5

In order to determine a distribution of the tax revenues from capital gains for the properties in the benchmark portfolio, a number of assumptions need to be made.

- Proportion of Portfolio Subject to Capital Gains Tax

  Capital gains will be chargeable on gains made on that part of the benchmark portfolio (45%) owned by tax paying investors. Thus giving a £450m portfolio, in Year 1, subject to capital gains tax.

  In relation to this portfolio we now need to consider the following:

- Future expected real capital returns

  We have seen, in section 6.3, that the 1981-1994 real capital returns from property (net of transaction costs) was -3.6% p.a.; one figure which will be used for future returns. However, we have adopted the PMA forecast of 1% p.a. for real capital returns.

- Range of Returns at individual property level

  We take a figure for the range of real capital returns as one S.D. = 10%. The IPD figure for 1963-1994 for one standard deviation of returns equals 10.8%.

- Timing of Sales

  We have assumed that sales take place evenly across the year and therefore can be deemed to occur, on average, at mid year points ie at 0.5; 1.5; 2.5; 3.5 and 4.5 years respectively

- Distributions of Returns

  Taking the above figures we can deduce the probabilities of the size of the capital gains, of properties within the portfolio, which would have capital gains, if sold.

TABLE A1

EXPECTED REAL CAPITAL RETURNS = -3.6% p.a.

Year	Standard Deviation*	Probability of Achieving Returns Greater Than				
		0%	5%	10%	15%	20%
1	7.1	31%	11%	3%	-	-
2	12.2	28%	16%	8%	3%	1%
3	15.8	25%	16%	9%	5%	3%
4	18.7	22%	15%	10%	6%	3%
5	21.2	20%	14%	26%	6%	4%

* given returns at the individual property level are broadly uncorrelated, the relationship between time and variance may be expected to be linear.

TABLE A2

EXPECTED REAL CAPITAL RETURNS = +1% p.a.

Year	Standard Deviation*	Probability of Achieving Returns Greater Than				
		0%	5%	10%	15%	20%
1	7.1	56%	29%	10%	2%	
2	12.2	57%	40%	26%	14%	7%
3	15.8	58%	45%	33%	22%	14%
4	18.7	58%	48%	37%	28%	20%
5	21.2	59%	50%	41%	32%	24%

From the above two tables, we can see the probabilities of 0%, 5%, 10%, 15% and 20% real capital returns being exceeded in Years 1 to 5.

The distribution of returns can be compared with that of the securitised vehicle, so as to determine whether the probabilities of higher capital gains exist in the direct or indirect investments.

Capital Gains on share transfers in the Securitised Vehicles: Years 1-5

The assumptions in respect of the securitised vehicles are as follows:-

- **Proportion of Portfolio Subject to Capital Gains Tax**
  Capital gains will be chargeable on gains made on that part of the benchmark portfolio (50%) owned by tax paying investors. Thus giving a £500m of shares subject to capital gains tax in year 1.

In relation to this portfolio we consider the following:

- **Future expected real capital returns**
  We have seen, in section 6.3, that the 1981-1994 real capital returns from property (net of transaction costs) was -3.6% p.a.; and that we adopted a forecast of +1% p.a. for the real capital returns for the direct property market as being appropriate for the average for the real performance for the direct property. We have assumed that the average returns for the properties in the securitised vehicles will be broadly in line with those forecast for the direct property market. However, the securitised vehicles will benefit from retained earnings, which will enhance returns.

  These retained earnings are as follows:-

Property Yield =	7.5%
less tax @ 20% =	1.5%
earnings	6.0%
dividend cover @ 80%	x 0.2
Retained earnings =	1.2%

  This would give average historic returns of -2.4% and forecast real returns of +2.2%

- **Range of Returns at individual share level**
  We take a figure for the range of returns for the shares as one S.D. = 15%, which reflects in the figure for UK equities.

- **Timing of Sales**
  We have assumed that sales take place evenly across the year and therefore can be deemed to occur, on average, at mid year points ie at 0.5; 1.5; 2.5; 3.5 and 4.5 years respectively

- **Distributions of Returns**
  Taking the above figures we can deduce the probabilities of shares within the portfolio of shared, which would have capital gains if sold

TABLE A3

EXPECTED REAL CAPITAL RETURNS = -2.4% p.a.

Year	Standard Deviation*	Probability of Achieving Returns Greater Than				
		0%	5%	10%	15%	20%
1	10.6	37%	21%	10%	4%	1%
2	18.4	39%	29%	21%	14%	9%
3	23.7	38%	30%	23%	17%	12%
4	28.6	36%	30%	24%	19%	14%
5	31.8	35%	30%	24%	19%	15%

TABLE A4

EXPECTED REAL CAPITAL RETURNS = +2.2% p.a.

Year	Standard Deviation*	Probability of Achieving Returns Greater Than				
		0%	5%	10%	15%	20%
1	10.6	58%	39%	23%	11%	5%
2	18.4	59%	48%	38%	28%	19%
3	23.7	60%	52%	44%	36%	28%
4	28.6	62%	55%	48%	41%	34%
5	31.8	63%	57%	51%	44%	38%

* we have assumed the relationship between time and variance to be linear.

From the above two tables, we can see the probabilities of 0%, 5%, 10%, 15% and 20% real capital returns being exceeded in Years 1 to 5.

Conclusion

The probabilities that real capital gains in excess of 0%, 5%, 10%, 15% and 20% are achieved are higher for the shares in the securitised vehicles than for the benchmark portfolio. This, coupled with an accellerated tax take as a result of higher turnover rates, should lead to more tax revenues being raised from capital gainss from the sales of the shares in the securitised vehicles, than in the benchmark portfolio.

APPENDICES B AND C

Graphs showing the growth in the market capitalisation of the USA and Australian listed property securities market are set ou below, namely:-

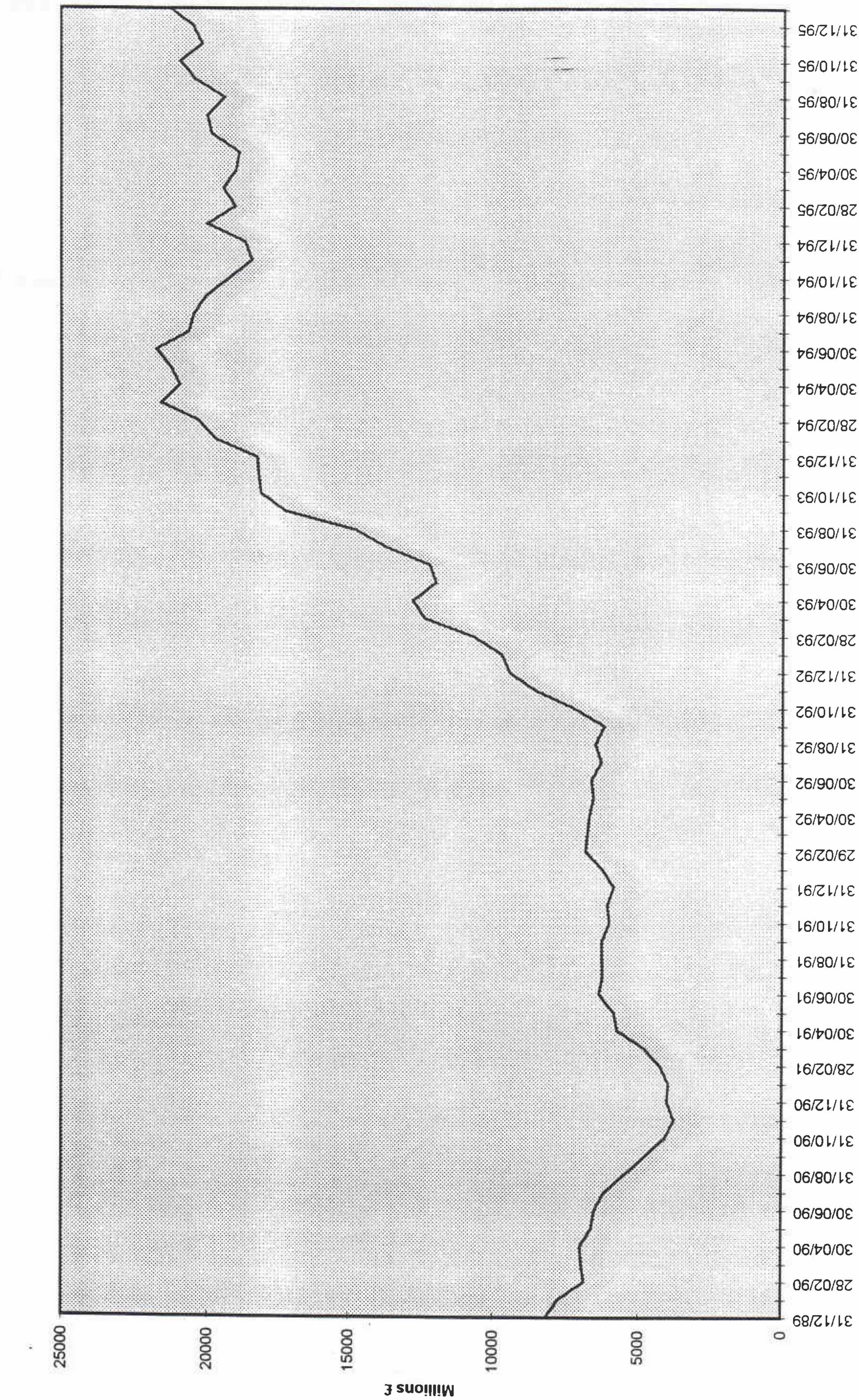
B - Real Estate Investment Trusts (USA)

C - Australian Listed Property Trusts

Source: Life Global Real Estate Securities Indices, (1996), Limburg Institute of Financial Economics

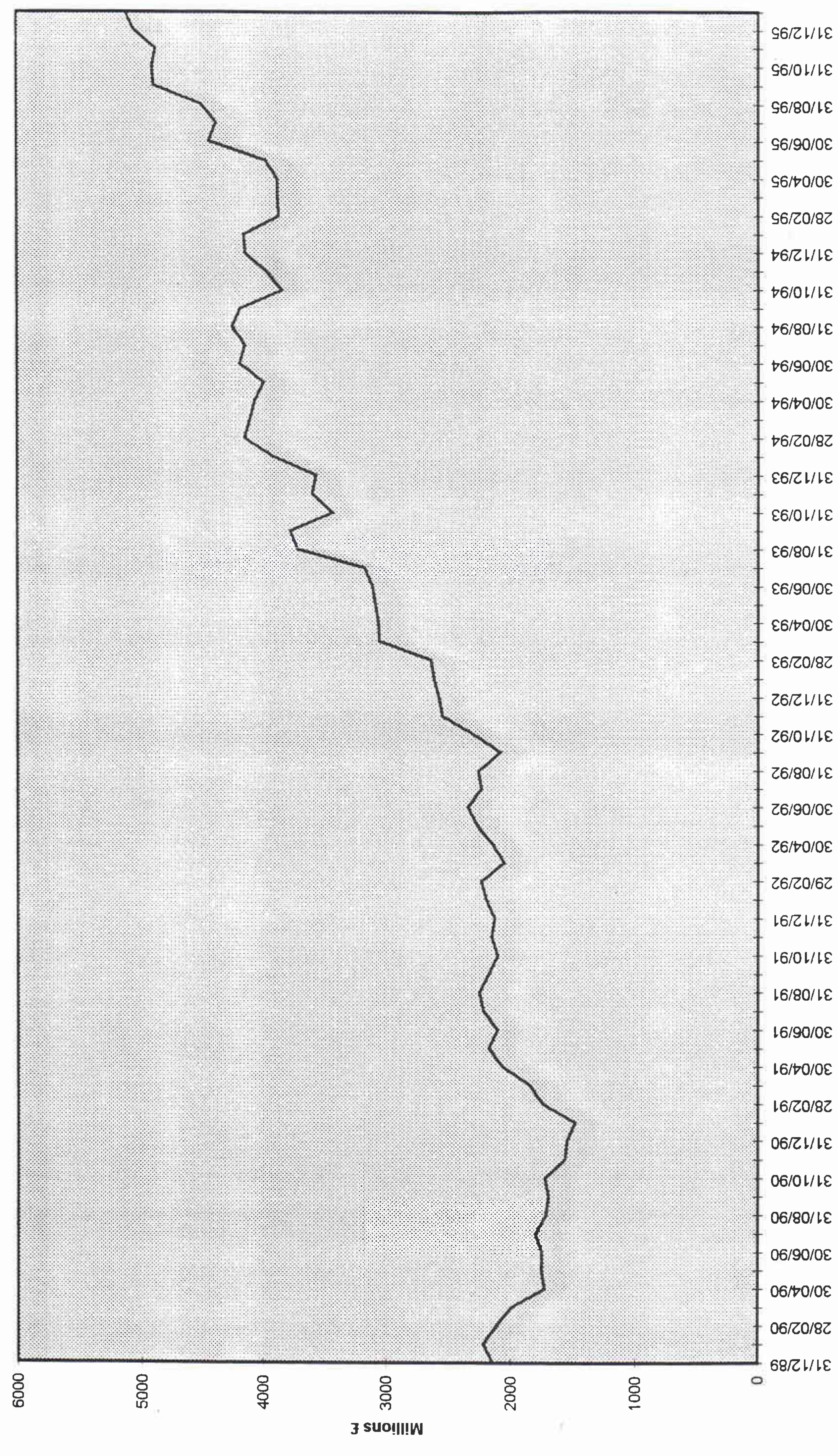
APPENDIX B

REAL ESTATE INVESTMENT TRUSTS (USA)
MARKET CAPITALISATION



APPENDIX C

AUSTRALIAN LISTED PROPERTY TRUSTS
MARKET CAPITALISATION



APPENDIX D

MARKET CAPITALISATION OF UK LISTED PROPERTY COMPANIES

Source: Datastream

APPENDIX D

UK Property Companies

Date Code	Rank	NAME	06/17/96 prptya MV	percentage
901598	1	LAND SECURITIES	3207.9	18%
901587	2	BRITISH LAND	1857.51	10%
901603	3	MEPC	1724.15	10%
135512	4	CAP.SHOP.CENTS.	1067.11	6%
901596	5	HAMMERSON	1060.29	6%
901614	6	SLOUGH ESTATES	850.72	5%
953690	7	BURFORD	566.03	3%
901594	8	GT.PORTLAND EST	543.57	3%
312973	9	CHELSFIELD	524.54	3%
901588	10	BRIXTON ESTATE	410.96	2%
904920	11	BRADFORD PR.	322.88	2%
914390	12	PEEL HOLDINGS	308.9	2%
910583	13	HAMBRO COUNTR	268.48	1%
926156	14	FROGMORE ESTA	257.82	1%
901554	15	LDN.MER.SECS.	227.29	1%
135736	16	ARGENT GROUP	211.41	1%
906102	17	DAEJAN HOLDING	194.74	1%
136511	18	PILLAR PR.INVS.	190.11	1%
926663	19	BILTON	188.04	1%
910712	20	GREYCOAT	179.8	1%
911116	21	PSIT	176.52	1%
901591	22	TBI	155.39	1%
926175	23	EVANS OF LEEDS	152.15	1%
900564	24	WATES CTY.LDN.	149.77	1%
926373	25	DERWENT VALLEY	138.2	1%
900340	26	MUCKLOW A.&J.G	132.79	1%
904127	27	TOWN CTR.SECS.	122.09	1%
911386	28	ASDA PROPERTY	114.87	1%
135590	29	CLS HOLDINGS	112.98	1%
953706	30	SMITH(J) ESTATES	110.45	1%
904126	31	SCOT.MET.PR.	99.12	1%
905839	32	WARNER ESTATE	92.59	1%
903328	33	CHESTERFIELD PR	88.65	0%
917024	34	BIRKBY	86.73	0%
917191	35	CAP.&REGL.PR.	86.17	0%
905398	36	TRAFFORD PARK	80.23	0%
906083	37	WARNFORD INVS.	78.72	0%
135748	38	CHESTERTON INTL	72.68	0%
953681	39	SHAFTESBURY	71.53	0%
931261	40	GRAINGER TRUST	70.16	0%
900594	41	ST.MODWEN PRO	69.74	0%
910400	42	HELICAL BAR	64.2	0%
926000	43	TOPS ESTATES	59.77	0%
900576	44	DEVELOPMENT SE	57.61	0%
914040	45	SAVILLE GORDON	53.9	0%
901664	46	ALLD.LDN.PR.	50.08	0%
974834	47	HEMINGWAY PR.	47.46	0%
745481	48	LONDON INDUSTRI	43.38	0%
911117	49	RAGLAN PROPERT	42.98	0%
910699	50	SOUTHEND PR.	42.28	0%
901391	51	LONDON MER.DFD.	41.91	0%
914307	52	REGALIAN PROPS.	33.96	0%
910436	53	PGA EUR.TOUR C	32.89	0%

910273	54	CONRAD RITBLAT	32.18	0%
911106	55	MCKAY SECS.	31.05	0%
900802	56	INOCO	29.94	0%
903959	57	CATHAY INTL.HDG.	29.49	0%
943918	58	SAVILLS	29.37	0%
506321	59	GANDER HOLDING	28.88	0%
926324	60	DENCORA	28.31	0%
905958	61	BOURNE END PRO	27.44	0%
914300	62	FIVE OAKS INVS.	27.25	0%
910731	63	LDN&ASSOCS.PRO	26.57	0%
906106	64	PROPERTY PTSHP	26.4	0%
135576	65	SPECIALITY SHOP	26.3	0%
135534	66	FISCAL PROPS.	24.51	0%
135530	67	DWYER ESTATES	21.55	0%
902085	68	ESTATES & AGENC	21.41	0%
943598	69	MOORFIELD ESTS.	21.15	0%
901748	70	SMART (J)	20.97	0%
135894	71	FREEPORT LEISUR	20.91	0%
911100	72	JERMYN INV.	20.36	0%
914401	73	ROWLINSON SECS	19.97	0%
953576	74	DEBM.TEWS.&CHN	19.44	0%
917147	75	EWART	18.37	0%
135197	76	NURSING HOME P	17.94	0%
952952	77	CLEVELAND TRUS	17.52	0%
135537	78	RUGBY ESTATES	17.14	0%
943689	79	LAMBERT SMITH H	16.9	0%
953823	80	PREMIER LAND	16.86	0%
953797	81	EDGE PROPERTIE	16.29	0%
910458	82	PANTHER SECS.	15.8	0%
910322	83	FOLKES GROUP N	15.45	0%
917120	84	HIGHCROFT TRUS	14.82	0%
953641	85	WSP GROUP	14.45	0%
926138	86	NASH,WILLIAM	13.73	0%
943869	87	ENGLISH &OS.PR.	13.62	0%
910568	88	OLIVES PROPERT	13.38	0%
136903	89	ARTESIAN ESTATE	13.27	0%
910191	90	CLARKE,NICKOLLS	13.15	0%
917554	91	UK LAND	12.96	0%
904994	92	PROPERTY TRUST	12.52	0%
870568	93	EX-LANDS PROPE	11.78	0%
914474	94	COMPCO HOLDING	11.51	0%
911091	95	DARES ESTATES	11.37	0%
914423	96	UK ESTATES	10.98	0%
953605	97	MERIVALE MOORE	10.21	0%
914314	98	BARLOWS	9.04	0%
135520	99	BRIGHTSTONE PR	8.26	0%
943898	100	BUCKNALL GROUP	8.02	0%
910729	101	CRESTON LD.&EST	7.66	0%
953189	102	SAFELAND	7.54	0%
137540	103	CALEDONIAN TRU	7.39	0%
910321	104	FOLKES GROUP	7.32	0%
135121	105	RESIDENTIAL PRO	6.82	0%
910120	106	BOLTON GROUP	6.79	0%
904802	107	ESTATES & GEN.	6.78	0%
953521	108	PRIOR	6.74	0%

910012	109	CARDIFF PROPER	6.35	0%
135519	110	NEWPORT HOLDIN	6.17	0%
926283	111	MCKAY SECS.CAP.	6.07	0%
910046	112	LONDON SECS.	5.84	0%
901699	113	CITY SITE ESTS.	5.69	0%
910276	114	WOOD(JOHN D)& C	4.91	0%
910534	115	ORB ESTATES	4.38	0%
910461	116	WYNNSTAY PROP	3.94	0%
900534	117	WEDDERBURN SE	3.87	0%
870068	118	DAVID GLASS ASS.	3.58	0%
926049	119	STEWART & WIGH	3.51	0%
135170	120	WESSEX TRUST	3.5	0%
931050	121	BENCHMARK GRO	2.9	0%
135872	122	STH.COUNTRY HO	2.71	0%
904689	123	ANGLO ST.JAMES	2.39	0%
900988	124	OEM	2.2	0%
974975	125	HIGH-POINT	2.15	0%
901660	126	FLETCHER KING	1.91	0%
870000	127	ARION PROPS.	1.89	0%
901590	128	LONDON & MET.	1.79	0%
943512	129	AUKETT ASSOCS.	1.71	0%
914328	130	WHINNEY MCK.-LE	1.69	0%
870185	131	LONDON TOWN	1.45	0%
135257	132	NORHOMES	1.22	0%
137587	133	CLAN HOMES	0.99	0%
137492	134	NTHUMB.RESD.PR	0.94	0%
135970	135	LONDON ASIA PAC	0.86	0%
135256	136	NORCITY II	0.82	0%
914003	137	DAVIES (DY) SUSP	0.7	0%
905396	138	SHIELD GROUP	0.48	0%
905312	139	CIE.FINC.OTTOMA	0.12	0%
953728	140	KENDELL	0.09	0%
		total	18026.85	1

APPENDIX E

Taxation of Overseas Investors in UK Property

The 1994 Finance Act effectively allowed non-residents to shelter UK investment property rental income from UK income tax with interest on foreign borrowings. At the same time, it proved possible to avoid the application of UK withholding tax on interest paid abroad.

The 1995 Finance Act has in this area:

- Extended the interest relieving provisions
- Widened the relief for certain expenses which were not deductible under the previous provisions
- Generally, simplified the tax rules for overseas investors in property
- Removed the requirement for the deduction of tax at source where rents paid to non-residents and where there is no managing agent

In consequence, a significant majority of overseas investors in property (particularly the larger investors), in practice, structure their UK property investment purchases such that interest charges off-set the rents receivable and thus achieve a position whereby their tax on rental incomes is effectively sheltered in the initial years. However, over time rental growth may be expected to lead to rents exceeding the interest on borrowings and this will lead to some tax becoming due on rents. Also a number of overseas investors may not structure their financial affairs in a tax efficient manner. We have estimated the overall tax on net rental income at 5%.

Overseas investors are exempt from capital gains.

Source BDO Stoy Hayward

APPENDIX F

IPD All Funds Profile

	1990	1991	1992	1993	1994
Insurance Funds	54.7%	53.7%	53.8%	52.9%	54.0
Pension Fund	25.7%	26.1%	25.9%	27.6%	25.6
Short Term Funds	11.0%	10.8%	10.0%	9.9%	11.2
Other Funds	8.6%	9.4%	10.3%	9.6%	9.2
	100%	100%	100%	100%	100%
Total Funds under Analysis =	£43,986m	£40,38m	£37,474m	£41,547m	£45,454

Source IPD

APPENDIX G

IPD Property Turnover

Year	Property Purchases £million	% Turnover Purchases	Property Sales £million	% Turnover Sales	Databank Size £million
1981	758	4.7%	135	0.8%	16,054
1982	479	2.7%	194	1.1%	17,773
1983	726	3.7%	357	1.8%	19,610
1984	824	3.8%	533	2.4%	21,846
1985	1079	4.4%	845	3.5%	24,470
1986	1260	4.7%	1337	4.9%	27,128
1987	1922	5.7%	2682	8.0%	33,588
1988	2492	5.8%	2998	7.0%	42,795
1989	2510	5.1%	3245	6.6%	49,484
1990	1674	3.8%	2252	5.1%	43,986
1991	1634	4.0%	1901	4.7%	40,381
1992	1895	5.1%	1938	5.2%	37,474
1993	2663	6.4%	2967	7.1%	41,547
1994	4462	9.8%	3217	7.1%	45,454
Average 1981-1994		5.0%		4.7%	
Average 1987-1994		5.7%		6.3%	

Average Turnover Purchases & Sales 1981-1994 = 4.8% p.a.
Average Turnover Purchases & Sales 1987-1994 = 6.0% p.a.

Source IPD

APPENDIX H
Components of Direct Property's Past Performance

Year	Overall Return % p.a	Capital Growth% p.a.	Inflation % p.a.	Real Capital Growth % p.a.	Real Overall Return % p.a
1971	16.6	11.7	9	2.7	7.6
1972	27.9	22.9	7.6	15.3	20.3
1973	27.9	23.3	10.6	12.7	17.3
1974	-17.3	-21.7	19.2	-40.9	-36.5
1975	10.1	4.3	24.9	-20.6	-14.8
1976	8.9	2.9	15.1	-12.2	-6.2
1977	26	19.3	12.1	7.2	13.9
1978	25.6	19.5	8.4	11.1	17.2
1979	22.1	16.2	17.2	-1	4.9
1980	17.3	11.5	15.1	-3.6	2.2
1981	15.1	9.5	12	-2.3	3.1
1982	7.6	2.1	5.4	-3.4	2.2
1983	7.4	1.6	5.3	-3.7	2.1
1984	8.6	2.5	4.6	-2.1	4.0
1985	8.6	2.3	5.7	-3.3	2.9
1986	11.2	4.8	3.7	0.8	7.5
1987	25.3	18.7	3.7	15.2	21.6
1988	28.6	22.6	6.8	15.9	21.8
1989	15.1	9.5	7.7	1.7	7.4
1990	-8.3	-14	9.3	-23.4	-17.6
1991	-3.3	-10.4	4.5	-14.7	-7.8
1992	-1.9	-9.9	2.6	-12.2	-4.5
1993	18.9	10.1	1.9	8.2	17.0
1994	11.6	3.8	2.9	0.9	8.7
Average 80-94	9.9	3.3	9.4	-3.3	3.1

Source IPD

APPENDIX I

EXCEL SPREADSHEETS FOR BEST ESTIMATES AND ALTERNATIVE SCENARIOS

(see disk)

- BEST ESTIMATE
- BEST ESTIMATE ADJUSTED FOR
- 100% payout by the securitised vehicle
- Real capital growth for both the Benchmark Portfolio and the Securitised Vehicle of 0% p.a. and a 100% payout by the securitised vehicle
- Real capital growth for the Benchmark Portfolio of 0% and 1.2% for the Securitised Vehicle assuming a 80% payout level
- Nil private investors in the securitised vehicle

Please contact Piers Venmore-Rowland for a copy of the disk

BEST ESTIMATE

KEY INPUTS

PROSPECTIVE SIZE OF SECURITISED MARKET

YEAR	£bn
1	1.0
2	2.5
3	4.5
4	7.0
5	10.0

INVESTOR MAKE UP

INVESTOR TYPE	% BENCHMARK PORTFOLIO	% SECURITISED VEHICLES
LIFE INSURANCE COS:		
- LIFE FUND	15%	15%
- PENSION BUSINESS	15%	15%
CORPORATE INVESTORS	30%	30%
TAX EXEMPT	30%	30%
OVERSEAS	10%	5%
PRIVATE INVESTOR	N/A	5%
TOTAL	100%	100%

TAX RATES OF INVESTORS

INVESTOR TYPE	TAX % CAPITAL GAINS	TAX % NET INCOMES
LIFE INSURANCE COS:		
- LIFE FUND	25%	25%
- PENSION BUSINESS	0%	0%
CORPORATE INVESTORS	33%	33%
TAX EXEMPT	0%	0%
OVERSEAS	0%	5%
PRIVATE INV. DIRECT	40%	40%
PRIVATE INV. INDIRECT	36%	36%

OTHER VARIABLES	% BENCHMARK PORTFOLIO	% SECURITISED VEHICLES
ANNUAL REAL CAPITAL GROWTH	1.0%	2.2%
PAYOUT RATIO	100%	80%
TURNOVER p.a.	6%	30%
RENTAL GROWTH P.A.	4%	4%
LOST TURNOVER P.A.	N/A	4%

CONTINGENT CAPITAL GAINS	% LIFE FUNDS	% CORPORATE INVESTORS
AS AT YEAR 0	3.0%	5.7%

REVENUE FIGURES

YEAR 1

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	10.6	12.9	2.3
STAMP DUTY	0.6	1.1	0.5
CAPITAL GAINS	0.4	0.5	0.0
TOTALS	11.7	14.4	2.8

YEAR 2

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	26.6	33.5	6.8
STAMP DUTY	1.5	2.8	1.3
CAPITAL GAINS	1.3	3.4	2.1
TOTALS	29.4	39.6	10.2

YEAR 3

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	51.7	62.6	11.0
STAMP DUTY	2.7	5.0	2.3
CAPITAL GAINS	2.8	10.3	7.5
TOTALS	57.1	77.9	20.8

YEAR 4

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	83.6	101.3	17.8
STAMP DUTY	4.2	7.7	3.5
CAPITAL GAINS	4.9	22.7	17.8
TOTALS	92.6	131.7	39.1

YEAR 5

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	124.2	150.6	26.4
STAMP DUTY	6.0	11.0	5.0
CAPITAL GAINS	7.8	42.1	34.3
TOTALS	138.0	203.7	65.7

100% PAYOUT

KEY INPUTS

PROSPECTIVE SIZE OF SECURITISED MARKET

YEAR	£bn
1	1.0
2	2.5
3	4.5
4	7.0
5	10.0

INVESTOR MAKE UP

INVESTOR TYPE	% BENCHMARK PORTFOLIO	% SECURITISED VEHICLES
LIFE INSURANCE COS:		
- LIFE FUND	15%	15%
- PENSION BUSINESS	15%	15%
CORPORATE INVESTORS	30%	30%
TAX EXEMPT	30%	30%
OVERSEAS	10%	5%
PRIVATE INVESTOR	N/A	5%
TOTAL	100%	100%

TAX RATES OF INVESTORS

INVESTOR TYPE	TAX % CAPITAL GAINS	TAX % NET INCOMES
LIFE INSURANCE COS:		
- LIFE FUND	25%	25%
- PENSION BUSINESS	0%	0%
CORPORATE INVESTORS	33%	33%
TAX EXEMPT	0%	0%
OVERSEAS	0%	5%
PRIVATE INV. DIRECT	40%	40%
PRIVATE INV. INDIRECT	36%	36%

OTHER VARIABLES	% BENCHMARK PORTFOLIO	% SECURITISED VEHICLES
ANNUAL REAL CAPITAL GROWTH	1.0%	2.2%
PAYOUT RATIO	100%	100%
TURNOVER p.a.	6%	30%
RENTAL GROWTH P.A.	4%	4%
LOST TURNOVER P.A.	N/A	4%

CONTINGENT CAPITAL GAINS	% LIFE FUNDS	% CORPORATE INVESTORS
AS AT YEAR 0	3.0%	5.7%

REVENUE FIGURES

YEAR 1

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	10.6	12.3	1.7
STAMP DUTY	0.6	1.1	0.5
CAPITAL GAINS	0.4	0.5	0.0
TOTALS	11.7	13.9	2.2

YEAR 2

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	26.6	32.1	5.5
STAMP DUTY	1.5	2.8	1.3
CAPITAL GAINS	1.3	3.4	2.1
TOTALS	29.4	38.2	8.8

YEAR 3

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	51.7	60.0	8.4
STAMP DUTY	2.7	5.0	2.3
CAPITAL GAINS	2.8	10.3	7.5
TOTALS	57.1	75.3	18.2

YEAR 4

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	83.6	97.1	13.6
STAMP DUTY	4.2	7.7	3.5
CAPITAL GAINS	4.9	22.7	17.8
TOTALS	92.6	127.5	34.9

YEAR 5

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	124.2	144.3	20.2
STAMP DUTY	6.0	11.0	5.0
CAPITAL GAINS	7.8	42.1	34.3
TOTALS	138.0	197.5	59.5

REAL CAPITAL GROWTH OF 0% AND 100% PAYOUT

KEY INPUTS

PROSPECTIVE SIZE OF SECURITISED MARKET

YEAR	£bn
1	1.0
2	2.5
3	4.5
4	7.0
5	10.0

INVESTOR MAKE UP

INVESTOR TYPE	% BENCHMARK PORTFOLIO	% SECURITISED VEHICLES
LIFE INSURANCE COS:		
- LIFE FUND	15%	15%
- PENSION BUSINESS	15%	15%
CORPORATE INVESTORS	30%	30%
TAX EXEMPT	30%	30%
OVERSEAS	10%	5%
PRIVATE INVESTOR	N/A	5%
TOTAL	100%	100%

TAX RATES OF INVESTORS

INVESTOR TYPE	TAX % CAPITAL GAINS	TAX % NET INCOMES
LIFE INSURANCE COS:		
- LIFE FUND	25%	25%
- PENSION BUSINESS	0%	0%
CORPORATE INVESTORS	33%	33%
TAX EXEMPT	0%	0%
OVERSEAS	0%	5%
PRIVATE INV. DIRECT	40%	40%
PRIVATE INV. INDIRECT	36%	36%

OTHER VARIABLES	% BENCHMARK PORTFOLIO	% SECURITISED VEHICLES
ANNUAL REAL CAPITAL GROWTH	0.0%	0.0%
PAYOUT RATIO	100%	100%
TURNOVER p.a.	6%	30%
RENTAL GROWTH P.A.	4%	4%
LOST TURNOVER P.A.	N/A	4%

CONTINGENT CAPITAL GAINS	% LIFE FUNDS	% CORPORATE INVESTORS
AS AT YEAR 0	3.0%	5.7%

REVENUE FIGURES

YEAR 1

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	10.6	12.3	1.7
STAMP DUTY	0.6	1.1	0.5
CAPITAL GAINS	0.4	0.0	-0.4
TOTALS	11.6	13.4	1.8

YEAR 2

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	26.6	32.1	5.5
STAMP DUTY	1.5	2.8	1.3
CAPITAL GAINS	1.0	0.0	-1.0
TOTALS	29.1	34.8	5.7

YEAR 3

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	51.7	60.0	8.4
STAMP DUTY	2.7	5.0	2.3
CAPITAL GAINS	1.8	0.0	-1.8
TOTALS	56.2	65.0	8.8

YEAR 4

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	83.6	97.1	13.6
STAMP DUTY	4.2	7.7	3.5
CAPITAL GAINS	2.8	0.0	-2.8
TOTALS	90.6	104.8	14.2

YEAR 5

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	124.2	144.3	20.2
STAMP DUTY	6.0	11.0	5.0
CAPITAL GAINS	4.1	0.0	-4.1
TOTALS	134.2	155.3	21.1

REAL CAPITAL GROWTH OF 0% AND 1.2% WITH 80% PAYOUT

KEY INPUTS

PROSPECTIVE SIZE OF SECURITISED MARKET

YEAR	£bn
1	1.0
2	2.5
3	4.5
4	7.0
5	10.0

INVESTOR MAKE UP

INVESTOR TYPE	% BENCHMARK PORTFOLIO	% SECURITISED VEHICLES
LIFE INSURANCE COS:		
- LIFE FUND	15%	15%
- PENSION BUSINESS	15%	15%
CORPORATE INVESTORS	30%	30%
TAX EXEMPT	30%	30%
OVERSEAS	10%	5%
PRIVATE INVESTOR	N/A	5%
TOTAL	100%	100%

TAX RATES OF INVESTORS

INVESTOR TYPE	TAX % CAPITAL GAINS	TAX % NET INCOMES
LIFE INSURANCE COS:		
- LIFE FUND	25%	25%
- PENSION BUSINESS	0%	0%
CORPORATE INVESTORS	33%	33%
TAX EXEMPT	0%	0%
OVERSEAS	0%	5%
PRIVATE INV. DIRECT	40%	40%
PRIVATE INV. INDIRECT	36%	36%

OTHER VARIABLES	% BENCHMARK PORTFOLIO	% SECURITISED VEHICLES
ANNUAL REAL CAPITAL GROWTH	0.0%	1.2%
PAYOUT RATIO	100%	80%
TURNOVER p.a.	6%	30%
RENTAL GROWTH P.A.	4%	4%
LOST TURNOVER P.A.	N/A	4%

CONTINGENT CAPITAL GAINS	% LIFE FUNDS	% CORPORATE INVESTORS
AS AT YEAR 0	3.0%	5.7%

REVENUE FIGURES

YEAR 1

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	10.6	12.9	2.3
STAMP DUTY	0.6	1.1	0.5
CAPITAL GAINS	0.4	0.5	0.1
TOTALS	11.6	14.5	2.8

YEAR 2

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	26.6	33.5	6.8
STAMP DUTY	1.5	2.8	1.3
CAPITAL GAINS	1.0	1.8	0.8
TOTALS	29.1	38.1	8.9

YEAR 3

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	51.7	62.6	11.0
STAMP DUTY	2.7	5.0	2.3
CAPITAL GAINS	1.8	5.6	3.8
TOTALS	56.2	73.2	17.0

YEAR 4

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	83.6	101.3	17.8
STAMP DUTY	4.2	7.7	3.5
CAPITAL GAINS	2.8	12.2	9.4
TOTALS	90.6	121.3	30.7

YEAR 5

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	124.2	150.6	26.4
STAMP DUTY	6.0	11.0	5.0
CAPITAL GAINS	4.1	22.6	18.5
TOTALS	134.2	184.1	49.9

NIL CAPITAL INVESTORS

KEY INPUTS

PROSPECTIVE SIZE OF SECURITISED MARKET

YEAR	£bn
1	1.0
2	2.5
3	4.5
4	7.0
5	10.0

INVESTOR MAKE UP

INVESTOR TYPE	% BENCHMARK PORTFOLIO	% SECURITISED VEHICLES
LIFE INSURANCE COS:		
- LIFE FUND	15%	15%
- PENSION BUSINESS	15%	15%
CORPORATE INVESTORS	30%	30%
TAX EXEMPT	30%	30%
OVERSEAS	10%	10%
PRIVATE INVESTOR	N/A	0%
TOTAL	100%	100%

TAX RATES OF INVESTORS

INVESTOR TYPE	TAX % CAPITAL GAINS	TAX % NET INCOMES
LIFE INSURANCE COS:		
- LIFE FUND	25%	25%
- PENSION BUSINESS	0%	0%
CORPORATE INVESTORS	33%	33%
TAX EXEMPT	0%	0%
OVERSEAS	0%	5%
PRIVATE INV. DIRECT	40%	40%
PRIVATE INV. INDIRECT	36%	36%

OTHER VARIABLES	% BENCHMARK PORTFOLIO	% SECURITISED VEHICLES
ANNUAL REAL CAPITAL GROWTH	1.0%	2.2%
PAYOUT RATIO	100%	80%
TURNOVER p.a.	6%	30%
RENTAL GROWTH P.A.	4%	4%
LOST TURNOVER P.A.	N/A	4%

CONTINGENT CAPITAL GAINS	% LIFE FUNDS	% CORPORATE INVESTORS
AS AT YEAR 0	3.0%	5.7%

REVENUE FIGURES

YEAR 1

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	10.6	12.4	1.8
STAMP DUTY	0.6	1.1	0.5
CAPITAL GAINS	0.4	0.9	0.5
TOTALS	11.7	14.4	2.7

YEAR 2

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	26.6	32.2	5.6
STAMP DUTY	1.5	2.8	1.3
CAPITAL GAINS	1.3	3.4	2.1
TOTALS	29.4	38.4	8.9

YEAR 3

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	51.7	60.3	8.7
STAMP DUTY	2.7	5.0	2.3
CAPITAL GAINS	2.8	10.3	7.5
TOTALS	57.1	75.6	18.4

YEAR 4

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	83.6	97.6	14.0
STAMP DUTY	4.2	7.7	3.5
CAPITAL GAINS	4.9	22.7	17.8
TOTALS	92.6	127.9	35.3

YEAR 5

TAX TYPE	£m BENCHMARK PORTFOLIO	£m SECURITISED VEHICLES	£m DIFFERENCE
TAX ON INCOME	124.2	144.9	20.8
STAMP DUTY	6.0	11.0	5.0
CAPITAL GAINS	7.8	42.1	34.3
TOTALS	138.0	198.1	60.1

APPENDIX J
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