

Appendix III

Taxation Summary

The information contained in this document is intended as a general summary of Gresham House Asset Management Limited's (Gresham House) current understanding of UK tax law and should be used as a guide only. Gresham House does not provide taxation advice. You are advised to consult your own professional advisers in relation to tax and National Insurance matters in relation to your own personal circumstances.

Inheritance Tax- Forestry

Forestry which is managed commercially qualifies for 100% BPR once held for two years, (Inheritance Tax Act 1984 (IHTA), s105 and s106). If held at death, there is no IHT payable on the total value of the investment including both land and trees.

Income Tax – Forestry

As the majority of the UCIS's income arises from commercial forestry, which is exempt from Income Tax, there are limited Income Tax liabilities. There will be a liability to income tax from income which relates to other activities, for example, bank interest, lease income or profits from wind-farm operations. Gresham House will provide details to you annually of taxable income arising for inclusion on your tax return. You will need to register your interest in the UCIS with HM Revenue & Customs using form SA401.

Income Tax – Renewables

Renewable energy assets qualify for capital allowances which reduce the taxable profits within the UCIS by allowing a portion of the capital costs of these assets to be offset each year against taxable income. Depending on the type of assets and the level of capital allowances available this will usually mean that the member of the UCIS has no income tax to pay for a number of years. However, once these capital allowances have been claimed for several years the amount available for offset reduces and the member of the UCIS will have taxable income. Gresham House will provide members with a Taxable Income Statement annually providing details of your taxable income.

Capital Gains Tax - Forestry

The gain in any value in timber is exempt from capital gains tax (CGT). On sale of land, or a partnership interest in land, any gain in value which relates to bare land is subject to CGT. A split of the asset value between chargeable and non-chargeable assets for CGT purposes will be provided on request if you wish to dispose of your interest in the UCIS.

Capital Gains Tax - Renewables

If you sell your interest in the UCIS then you may be liable to CGT on any profit made. Gresham House will endeavour to provide you with information to enable you to calculate any gain.

National Insurance – Forestry and Renewables

Any taxable income derived from the UCIS may be subject to National Insurance contributions (NICs) depending on your personal circumstances. HMRC publish rates and thresholds on their website:

<https://www.gov.uk/government/publications/rates-and-allowances-national-insurance-contributions/rates-and-allowances-national-insurance-contributions>

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Taxation Summary (Continued)

The key details are:

- If you are over state retirement age you will not be liable to pay NICs.
- In relation to Class 2 NICs:
 - If the total taxable profits from all “self-employments” (including this UCIS) are less than £6,515 annually (2021/22) then Class 2 NICs (currently £3.05 per week (2021/22)) will not be due;
 - If taxable profits are greater than £6,515 then Class 2 NICs will be payable unless you are paying Class 1 NICs on earnings from employment which are greater than £50,270 per annum (2021/22).
 - Any Class 2 NICs due will be calculated as part of the tax return process.
- In relation to Class 4 NICs:
 - If the total taxable profits from all “self-employments” (including this UCIS) are less than £9,568 annually (2021/22) then no Class 4 NICs will be payable;
 - If taxable profits are greater than £9,568 then Class 4 NICs will be payable on a sliding scale. These payments will be reduced if you are paying Class 1 NICs on earnings from employment greater than £50,270 per annum (2018/19).
 - As with Class 2 NICs, any Class 4 NICs will be calculated as part of the tax return process.

Please note that the level of taxable income subject to NICs is minimal for Forestry and it is unlikely that NICs will be payable due to a holding in a forestry UCIS. For a Renewables UCIS the liability to NICs will depend on the level of taxable income after available capital allowances and will vary.

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