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Parliamentary Standing Committee on Finance
Republic of South Africa

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LIBERTY INTERNATIONAL

16 June 2009

Dear Sir or Madam,

Republic of South Africa: 2009 Taxation Laws Amendments Bills proposed changes to the Income Tax Act, 1962 (Act 58 of 1962) – Dividends Tax

I am writing on behalf of Liberty International PLC, a UK registered company which is listed on both the London Stock Exchange and the JSE, to submit the company's comments on aspects of the draft taxation laws published by the South African National Treasury on 1 June 2009 which relate to the taxation of dividends paid on foreign shares listed on the JSE.

Your recent press release states that the application of the 10 per cent charge on dividends to foreign shares listed on the JSE will create an equal playing field for both domestic and foreign shares listed on the JSE. However we believe that a reduction in the net dividend received will place South African shareholders at a significant disadvantage to investors whose shares are held on the LSE.

It is also our opinion that the new dividend tax will create further confusion among shareholders by unnecessarily complicating the payment of dividends by some foreign companies.

Under the UK REIT regime, Liberty International PLC generally distributes two kinds of dividends; a Property Income Distribution ("PID") and an ordinary dividend ("non-PID Dividend").

PIDs paid by the company are subject to a UK withholding tax of 20%, part of which may be reclaimed from the UK HMRC by South African shareholders to the extent that it exceeds the double tax treaty rate of 15%. We understand that PID dividends will in effect not be subject to the proposed new South African dividend tax as the tax withheld in the UK can be offset against the South African tax. It is not yet clear however whether the company may apply this offset or if the dividend tax must be deducted by the company and then reclaimed by the shareholder creating a further burden for our South African shareholders.

Non-PID dividends paid by the company are not subject to a withholding tax in the UK and will therefore be subject to the proposed new South African dividend tax. The introduction of the new dividend tax is likely to cause a great deal of confusion to shareholders and their Central Securities Depository Participants ("CSDPs"). In particular, collection of the new dividend tax will result in significant costs both for shareholders e.g. CSDP charges, and the company e.g. increased registrar charges for the administration of the withholding of the tax and the cost of advising

shareholders that they must give notice to the company if they are exempt from the dividend tax. The time and cost of administering the dividend tax system, and in particular details of whether each shareholder on the register will be exempt from dividend tax, will be substantial.

In addition the different tax treatment proposed in respect of shareholdings in uncertified and certified form appears to be inappropriate and would also add to shareholder confusion.

The proposed new dividend tax will impair the attractiveness of Liberty International PLC shares as an investment for South African investors.

In conclusion, the application of the proposed new dividend tax is likely to (a) discourage new investment in the company; (b) impose a significant disadvantage for South African shareholders; (c) create a costly administrative burden on shareholders, the company and CSDPs; and (d) create confusion for South African shareholders.

Accordingly I would be grateful if you could reconsider the proposal to introduce the new tax on dividends paid by foreign companies. We would suggest that either UK dual listed companies, or UK listed REITs are excluded from your proposed new tax regime.

Yours faithfully,

Susan Folger
Group Company Secretary
Liberty International PLC