

Tax Summary Guide – United Kingdom

This is a summary for United Kingdom (UK) tax resident NAB Shareholders who hold their NAB Shares as investments (other than under an individual saving account) of the main UK tax implications of receiving CYBG Securities on Demerger. The summary is based on existing law (as at March 2016) and what is understood to be current UK HM Revenue & Customs (HMRC) practice. This summary is intended as a general guide only. It does not constitute tax advice to any individual NAB Shareholder.

If you are in any doubt about your taxation position, or you are resident or otherwise subject to taxation in a jurisdiction other than the UK, you should consult your tax adviser. Any individuals wishing to complete their self-assessment tax return form and/or to calculate their Capital Gains Tax should consult an appropriate tax adviser.

Question	Answer
<p>1. What are the tax implications of the CYBG Securities that I received in the Demerger?</p>	<p>The Demerger was implemented by way of a reduction of capital by NAB and a distribution of CYBG Securities pursuant to a scheme of arrangement. Under the Demerger, NAB Shareholders were entitled to one CYBG Security for every 4 NAB Shares held.</p> <p>For UK tax purposes, the receipt of CYBG Securities should be categorised as a capital distribution and should not be treated as an income distribution.</p> <p>The UK tax treatment of this capital distribution is that it should be taxed as a capital gains part disposal of the investment in NAB, with CYBG Securities being received as proceeds.</p> <p>You are treated to have acquired the CYBG Securities at their market value on the Demerger Date. The market value of CYBG Securities on the Demerger Date is 203p per security. The market value is taken to be the average of the 2 prices as listed as the closing prices on the London Stock Exchange official listing.</p>
<p>2. How do I calculate the capital gain?</p>	<p>The capital gain for an individual shareholder is calculated by comparing the value of the proceeds with the base cost.</p> <p>The proceeds from the capital distribution are equal to the market value of the CYBG Securities received on the Demerger Date 8 February 2016.</p> <p>If the capital distribution from the demerger is treated as “small” in relation to the market value of the combined market value NAB Shares and CYBG Securities on the Demerger Date, there <i>maybe</i> no capital gains tax due on the receipt of the CYBG Securities. Instead, the proceeds would need to be deducted from the base cost of the NAB Shares in calculating future capital gains on the disposal of NAB Shares.</p> <p>Generally, HMRC is of the view that the consideration is considered to be “small” where the proceeds is (a) less than £3,000; or where (b) the proceeds does not exceed 5% of the combined market value of NAB Shares and CYBG Securities.</p> <p>If the consideration is not small, you will need to work out the base cost of the part disposal, and you need to apportion the base cost of your NAB Shares as follows:</p> $\text{Part Disposal of Base Cost of NAB Shares} = \text{Base Cost of NAB Shares} \times \frac{\text{Market Value of your CYBG Securities}}{\text{Total Market Value of your CYBG Securities + NAB Shares}}$
<p>3. Do I have to pay tax on the capital gain?</p>	<p>If you are considered to have made a part disposal of your NAB Shares, the capital gain in excess of an individual’s Capital Gain’s Tax Annual Exemption not otherwise used in the tax year (£11,100 for the fiscal year 2015/16) is taxed at 18%/28%.</p>

<p>4. What is the market value of CYBG Securities and NAB Shares on the Demerger Date?</p>	<p>Using the methodology as prescribed by HMRC, the market value of CYBG Security is 203p on the Demerger Date.</p> <p>The market value of NAB Share is 1,277p on the Demerger Date, which is the closing price of NAB Shares as traded on the Australian Securities Exchange on 8 February 2016 of A\$26.15, multiplied by the AUD/GBP Bloomberg closing rate on 8 February 2016 of 0.4885.</p> <p>As the entitlement is 1 CYBG Security for every 4 NAB Shares, it would be necessary to take the ratio into account in determining the correct apportionment.</p> <p>Example</p> <p>John bought 2,000 NAB Shares in 2014 for a total consideration of £30,000.</p> <p>John received 500 CYBG Shares from the Demerger on 8 February 2016.</p> <p>What are the UK tax consequences for John?</p> <p>The market value of the CYBG Shares John received is £1,015 (500 CYBG Shares x 203p per CYBG Share).</p> <p>The distribution is considered to be “small” as the consideration is less than £3,000. As the consideration is less than the base cost of his NAB Shares, there will be no capital gains tax due. Instead, John would need to reduce the base cost of his NAB Shares by the market value of the CYBG Shares to calculate his capital gains tax liability if he decides to sell his NAB Shares in the future.</p>
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