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REAL ESTATE

Taxation of real estate investment trusts

An overview of the REIT regimes in Europe, Asia and the Americas

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Introduction

The ever increasing popularity of Real Estate Investment Trusts (REITs) and similar vehicles demonstrates the growing demand for tax efficient, liquid and transparent vehicles for investing in real estate. Since its first enactment in the US in 1960, similar regimes have been set up in other countries around the world, the most recent being the Philippines, who introduced a REIT regime broadly similar to those of other Asian countries, towards the end of 2009. Typically a REIT regime will offer exempt tax status to investment companies or other vehicles which meet certain criteria as to ownership and investment portfolio, on the basis that the vehicle then distributes all or most of its profits to shareholders. In many but not all cases, the vehicle must also be listed.

This summary aims to set out the key regulatory, tax and legal rules for the establishment and operation of REITs or their local equivalent in all the major jurisdictions of the world which have introduced such a regime. The information is intended to be a guide only, and should not be relied on for investment decisions as the rules are liable to regular amendment and local interpretation. It is intended to be an overview of the position in each country, enabling a quick understanding to be gained of the type of regime in operation and how it compares to other regimes in the region or more widely. The information contained in this report was current at 31 October 2013.

We hope you will find the information here of value.

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REIT regimes in Europe

REIT regimes in Europe

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Enacted year	2007	2003	1995	1994	2007	Applicable from 1 January 2007 onwards	1969	2009. Significant changes as of 1 January 2013
Governed by or under supervision	Tax law	• Tax law • Governed by the Autorité des Marchés Financiers (AMF)	• Regulatory laws and tax laws • Supervision by the Belgian Financial Services and Markets Authority (FSMA)	• Governed by Civil and Tax Law • Under the supervision of Bank of Italy and Consob (i.e. Italy's market watchdog)	• Governed by Tax law • Under the supervision of Bank of Italy and Consob (i.e. Italy's market watchdog)	Real Estate Investment Trust Act, supported by other tax regulations	• Tax regime • Under the supervision of the Dutch Financial Market Authority	Tax Law
Formalities and procedure	• Provide notice to HM Revenue & Customs (HMRC) in writing before the beginning of the accounting period from which the regime will apply • Provide various financial statements in addition to the statutory accounting statements • Provide a reconciliation of reserves split between tax-exempt and taxable activities	Send an election letter to the French tax administration before the end of the fourth month of the tax year for which the SIIC regime will first apply	• Registered on a list of all of Belgium's recognized investment institutions • Obtain a license from the Belgian FSMA • The Articles of Association must contain a number of specific provisions and be accepted by the Belgian FSMA • Must appoint a trustee who is accepted by the Belgian FSMA	• Comply with a number of detailed regulatory provisions, which must be included in the by-laws of the Fund • The by-laws of FIIs must be scrutinized and approved by the Bank of Italy. • Under certain circumstances, the filing of a prospectus may be needed	• Opt for the application of this regime by providing notice in writing to the Italian tax authorities before the beginning of the tax period from which the regime will apply; the option is irrevocable unless the regime conditions are no longer met. • "Entry taxation", alternatively: i. substitute tax ii. ordinary taxation	Comply with a number of detailed regulatory provisions combined with a respective application of registration as REIT joint stock corporation with the Commercial Register	Elect to apply the BI regime in its corporate income tax return, which is filed after the end of the year for which the BI regime is to apply	• Option to apply the regime by filing an election letter before the Spanish tax administration, before the last quarter of the tax year for which the SOCIMI regime will first apply • Prior approval of the shareholders (via a General Shareholders Meeting) is required.
Legal form and share capital	• Be United Kingdom resident (and not dual resident) • Not an open ended investment company • The only classes of shares allowed are ordinary or non-participating preferences shares. • Not be a closely owned company (there is a fixed grace period of 3 years from entry to REIT regime before this diverse ownership test must be met) • Not be party to a loan which is non commercial or profit linked	• Entity listed on a French stock exchange or on a foreign stock exchange complying with the requirements of Directive 2004/39/EC • Minimum share capital is EUR15 million • Must be subject to French corporate income tax (could potentially be a foreign company, via a French branch) • 95 percent subsidiaries of a SIIC and/or a SPPICAV (new French real estate investment vehicle) may elect for the SIIC regime.	• Limited liability company or a partnership limited by shares governed by Belgian law • Must be a resident of Belgium • Minimum share capital is EUR1.2 million (which should be fully paid-up).	• Formed as a closed ended (in certain circumstances semi closed ended) fund. The management company (SGR) must be an Italian resident joint stock company (i.e. SpA). Unit holders are not allowed to sell their participations to third parties and the duration of FIIs can vary between 10 and 30 years (it should not be higher than the duration of SGR). • Minimum share capital EUR1 million for the SGR • The FII should have the following requirements: i. a plurality of investors ii. existence of investment programs defined in advance iii. management of the fund independent from the investors	• Italian resident joint stock company (i.e. SpA) • Minimum share capital EUR40 million (in order to be admitted to the Italian stock exchange) • "SIIQ" must be included as part of the company's name.	• In the legal form of a joint stock corporation • Registered office and the actual seat of management in Germany • Minimum stated capital EUR15 million • "REIT-AG" or "REIT-Aktiengesellschaft" are protected as part of the company's name.	• Public limited (liability) company ("Naamloze vennootschap", "NV") with minimum share capital EUR45,000 • Private company with limited liability ("Besloten vennootschap", "BV") with minimum share capital EUR0.01 • A mutual fund ("Fonds voor gemene rekening", "FGR") • Entities incorporated in other jurisdictions may be acceptable provided that certain conditions are met.	• Stock company • Minimum share capital required is EUR5 million • "Sociedad Cotizada de Inversión en el Mercado Inmobiliario, Sociedad Anónima" or "SOCIMI, SA" should be included as part of the company's name.

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Restriction on shareholdings	Tax charge on REIT if distributions paid out to corporate shareholders with 10 percent or more of share capital, or beneficial entitlement to 10 percent or more of voting or dividend rights	• Upon the entry of the company into the regime, at least 15 percent of the share capital must be held by shareholders which each hold less than 2 percent; • A single shareholder (or several shareholders acting together) must not hold 60 percent and more of the SIIC's share capital or voting rights; • The SIIC is subject to a levy equal to 20 percent of the amount of the dividends paid out of the tax exempt income and gains to shareholders (other than individuals) which i. hold at least 10 percent of the SIIC dividend rights, and ii. are not subject to corporate income tax (or bear a corporate income tax less than one third of the French corporate income tax) unless they are subject to a 100 percent distribution obligation on the dividends received.	• No restrictions for public SICAFIs • The investors in institutional SICAFIs[1] need to be professional or institutional investors. • The institutional SICAFI needs to be exclusively or jointly controlled by a public SICAFI.	• No restrictions • Minimum of two investors required	• No shareholder may hold, directly or indirectly, 51 percent or more of the voting rights or be entitled to 51 percent or more of the profits. • At the regime election date, at least 35 percent of SIIQ's shares must be held by shareholders not holding, directly or indirectly, 2 percent or more of the voting rights or 2 percent or more of dividend rights.	• At least 25 percent of its shares must be 'widely held'[2] at the time of stock exchange listing. • At least 15 percent of its shares must be widely held at all times. • No shareholder is allowed to hold directly 10 percent or more. • If a shareholder holds 10 percent or more shares in a REIT, the REIT does not lose its tax exemption. However, foreign shareholders cannot claim treaty benefits which are available for a shareholder who holds 10 percent or more in a stock corporation.	• One single entity, or two or more affiliated entities, that are subject to tax may not hold an interest of 45 percent or more in the BI[3] (excluding a listed BI or a BI that (or its manager) is under supervision of the Financial Markets Authorities). • A resident company may not, through the interposition of mutual funds or corporate entities that are not resident in the Netherlands, hold an interest of 25 percent or more in the BI. • A single natural person may not hold an interest of 25 percent or more of the BI[2].	• No tax restrictions (although those legal restrictions for listing should be considered, if any)

[1] Institutional REITs are subsidiaries of public REITs; they have a specific legal regime and are subject to the (beneficial) REIT tax regime.
[2] Widely held: no one shareholder holds 3 percent or more of the shares.
[3] Different shareholders tests apply to a non-listed BI that (or its manager) is not under supervision of the Financial Markets Authorities. Then, an interest of 75 percent or more should be held by natural persons, entities which are not subject to tax/or tax exempt, or directly/indirectly by listed BIs or BIs under supervision. Furthermore a single natural person may not hold a substantial interest.

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Mandatory listing on stock exchange	Must be listed on "recognized stock exchange" or on the Alternative Investment Market and similar foreign exchanges	The parent company must be listed on a French or foreign (subject to conditions) stock exchange before the first day of application of the tax regime	• Mandatory listing on a Belgian stock exchange for the public SICAFIs • IPO must include a 30 percent public offering • Promoters must permanently ensure a free float of at least 30 percent.	Optional	SpA must be listed on a recognized European/white listed State stock exchange.	Mandatory listing in a public exchange in a member state of the European Union or the European Economic Area	Optional	Must be listed on a regulated stock exchange or in a Multilateral Trading System (MTS) in Spain or in a member state of the European Union or the European Economic Area, or in a regulated stock market of any other country or territory which effectively exchanges tax information with Spain
Leverage	Tax charge on REIT if the interest cover is less than 1.25	Unlimited. Thin cap rules and tax rules limiting the deductibility of interest charges, when applicable, may impact the distribution obligations.	• Limited to 65 percent of the SICAFI's assets at the time when the loan agreement is concluded • Interest expense limited to 80 percent of total income	• Limited to 60 percent of fiscal book value of real property and 20 percent of the value of other assets	• No compulsory limit is set up by law • The SIIQ must determine its own leverage limit based on regulatory provisions.	The equity must amount to at least 45 percent of the fair market value of the real properties.	Limited to 60 percent of fiscal book value of real property[4] and 20 percent of fiscal book value of all other investments	No specific limitation is set up by law.
Distribution on operative income	90 percent of the rental profits of the tax-exempt business (calculated using normal tax rules)	• 85 percent of the tax-exempt profit derived from leasing of real estate or subletting of real properties held through financial leases. A recent report (rapport Queyranne) recommends increasing SIIC's distribution obligations up to 95 percent of the rental income. • 100 percent of dividends received from a subsidiary elected to be within the SIIC regime	At least 80 percent of net profit as defined in the Royal Decree (e.g. excluding capital gains which are reinvested within 4 years)	No obligation	85 percent compulsory distribution of net profit deriving from the letting business (i.e. tax-exempt business)	90 percent of distributable income calculated based on German GAAP (only straight line depreciation is allowable). If the REIT fails to comply, penalties of 20 percent - 30 percent of the difference will be imposed.	100 percent of taxable profit (direct income)	• 80 percent of the profits obtained by the SOCIMI (not derived from transfer of real estate or shares in other SOCIMIs or other similar qualifying entities) • 100 percent of the dividends obtained from other SOCIMIs or other similar qualifying entities • In any case, the statutory reserve cannot exceed 20 percent of the Share capital.

[4] Interests of 33.33 percent in other REITs (the assets consist of 90 percent or more of real estate) qualify as real property. Third party loans obtained by the BI and used to provide loans to such interests in other REITs are disregarded.

REIT regimes in Europe

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Restrictions on activities and investments	• Must have at least three properties throughout the accounting period, each of which should not have a value exceeding 40 percent of the value of all the properties • Derive at least 75 percent of its total profits from its tax-exempt property letting business • At least 75 percent of the total value of assets held by the REIT must be held for the tax-exempt property letting business. An exemption from this test is allowed for the first accounting period. • Cash is a 'good' asset for the 75 percent balance of business asset test. • Owner occupied property is excluded from the property rental business of the REIT.	• The main activity of the SIIC must be (passive) investment in real estate. • Financial leasing may not exceed 50 percent of the company's gross assets. • Other activities may not exceed 20 percent of the company's gross assets. • The tax exemption does not apply to other activities and to financial leasings (except if the SIIC company is the lessee under the financial lease and subleases the asset). • Can invest outside France and double tax treaty provisions should apply. Rental income and capital gains derived from foreign real estate properties should benefit from the SIIC tax regime where double tax treaties do not grant the exclusive right to tax to the State of location of the property.	• The main activity of the SICAFI must be (passive) investment in real estate (immovable property). • No more than 20 percent of assets can be invested in one real estate project (at start-up exceptions may be allowed). • Developments are allowed, but cannot be sold within 5 years of completion. • The bylaws may provide that the SICAFI can temporarily and additionally invest in securities and hold cash under certain circumstances. • A SICAFI may not grant loans to third party companies. • Can invest outside Belgium either directly or via foreign subsidiaries	• Not less than two-thirds of the total value of the fund must be invested in real estate, property rights with respect to real estate and shares of property companies; this limit may be reduced under certain conditions. • Only one third of the value of the fund can be invested, directly or through subsidiaries, in a single real property asset having unitary town-planning and functional features. • No more than 10 percent of the fund's own activities can be invested, directly or through subsidiaries, in real estate companies that carry out development activities. • Restrictions apply to financial activities.	• The main activity of the SIIQ must be a property letting business (i.e. tax-exempt business); this means that: i. at least 80 percent of the total value of assets held by the SIIQ must be intended for the letting business, and ii. at least 80 percent of the total revenues of the SIIQ must be derived from the letting business (in each tax period). In order to meet these two conditions, interests held in other SIIQs or in non-listed Italian companies carrying out a letting business may be considered as well (under certain conditions).	• At least 75 percent of the REIT's assets must consist of real estate. If the REIT fails to comply, penalties of 1-3 percent of the difference between the actual property rate and the prescribed rate of 75 percent will be imposed. • At least 75 percent of its gross revenues must be derived from the rental, leasing, or sale of real estate. If not met, penalties of 10-20 percent of the difference between the actual gross income derived from the rental, leasing, or sale of real estate and the prescribed rate of 75 percent will be imposed. • No property trading is allowed, i.e. revenues from disposals over 5 years must be 50 percent or less of the average property portfolio value over the same period. • Holding interests in German real estate companies is not allowed. However, domestic real estate investment via domestic partnerships is permissible. • Foreign real estate may be held directly, or via foreign or German partnerships, or through wholly owned foreign corporations. • Holding shares in foreign REITs whose shares are traded at a public market is not allowed.	• The exclusive activity of the BI must be portfolio investment activities (passive investments). • A Dutch BI can (re) develop real estate for the benefit of its own portfolio provided that these activities are performed by a taxable subsidiary. • It is proposed that a Dutch BI may -under certain conditions -perform ancillary activities (for example, cleaning, catering, reception or meeting services) provided that these activities are performed by a taxable subsidiary.	• 80 percent of the assets must be invested in: (i) urban real estate held for rental; and/or (ii) land for the developing of real estate in the following 3 years and/or (iii) the acquisition of shares in other REITs or other similar qualifying entities. • 80 percent of the income of the corresponding tax period (excluding the income derived from the transfer of real estate or shares held in other REITs, provided the 3 years minimum holding period had elapsed) must be derived from the rental of real estate to individuals or entities (excluded those of the same group) or from dividends which come from shares held in other SOCIMIs or similar qualifying entities. • The real estate included in the company's Balance Sheet must be rented or offered for rental (where the offer is outstanding for less than 1 year) for at least 3 years. • Shares in other SOCIMIs or similar qualifying entities should be maintained for at least 3 years.

REIT regimes in Europe

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Restrictions on activities and investments (cont.)						• Management/advisory services provided to other parties must not have a volume of more than 20 percent of the gross revenue of REITAG and must be located in a subsidiary of the REIT. The assets of such subsidiaries are not permitted to comprise more than 20 percent of the REIT-group's assets.		
Distribution on capital gain on disposed investments	No requirement to distribute the exempt gains. If gains are distributed, the distribution is subject to the deduction of basic rate income tax.	• 50 percent of capital gains from the sale to non related companies of either real estate or shares in real estate partnerships or shares in a corporate subsidiary which is itself exempt under the SIIC regime, and from the transfer of rights in financial leases • A recent report (rapport Queyranne) recommends increasing SIIC's distribution obligations up to 70 percent of the rental income.	Capital gains are not included in the 80 percent distribution obligation, provided the capital gains are reinvested within 4 years.	No obligation	No obligation	• At most 50 percent of capital can be reinvested immediately or kept as reserve for 2 years. • Remaining capital gains must be included in distributable income. • After 2 years, the reserve has to be either reinvested or added to distributable income.	Capital gains/losses are allocated to a tax free reserve and do not form part of the taxable profit/ distribution obligation.	• 50 percent of capital gains from the disposal of either real estate or shares must be distributed. • The remaining 50 percent must be reinvested in 3 years. If it is not reinvested, it must be distributed.
Timing of distribution	90 percent of the profits of the tax-exempt business (calculated using normal tax rules) on or before corporate tax self-assessment filling date.	• Operating income must be distributed before the end of the tax year following the year in which it was realized. • Dividend income from a SIIC subsidiary must be distributed before the end of the tax year following the year in which it was received. • Capital gains must be distributed before the end of the second tax year following the year in which they were realized.	Annually	Not applicable	Annually	No later than the end of the following fiscal year	Within 8 months after the end of the financial year	Must be agreed within 6 months after the close of the business year and must be paid in the following month as of the distribution agreement

REIT regimes in Europe

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Timing of distribution (cont.)		• A recent report (rapport Queyranne) recommends reducing the deadline for distribution of the capital gain.						
Income tax	• Profit arising from the tax-exempt property business – not subject to corporation tax (see shareholder comments) • Non tax-exempt business – taxable in the ordinary manner at the main rate of corporation tax (currently 23 percent)	• Eligible activities – exempt subject to distributions obligations • Non-eligible activities subject to corporate income tax at the standard rate, i.e. taxed at the rate of 33.33 percent (increased to 34.43 percent by surcharge plus potentially the 5 percent exceptional contribution)	In principle, subject to the standard corporation tax rate (33.99 percent), but the qualifying real property income is excluded from the taxable basis (i.e. the taxable basis is limited to the disallowed expenses, the abnormal and/or benevolent advantages received and the so-called secret commissions).	Not subject to corporate income tax (IRES) and to regional tax on productive activities (IRAP)	• Income arising from the letting business (i.e. tax-exempt business) – not subject to tax. • Income arising from other businesses (i.e. table businesses) – taxable in the ordinary manner	Exempt	Income is taxed at a 0 percent rate.	• The SOCIMI is in principle taxed at a 0 percent rate. • As an exception, SOCIMIs are subject to 19 percent taxation on those dividends distributed to shareholders with a 5 percent or higher participation, provided the shareholders are not taxed at least at a 10 percent rate on those dividends. This exception is not applicable in relation to dividends distributed to shareholders being, in turn, a SOCIMI (or, in very specific cases, to shareholders which, in turn, distribute 100 percent of the income to their shareholders, the latter being taxed at least at a 10 percent rate). • Income is taxed at 30 percent when the real estate has been sold before the 3 years minimum holding period has elapsed (this 30 percent rate would be applicable both to the income obtained on the sale as well as to the rental income obtained from said property). This rule would also be applicable in case shares in other SOCIMIs or similar qualifying entities are transferred before the 3 years holding period.

REIT regimes in Europe

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Capital gains tax	• Gains from the disposal of an asset used exclusively for the purposes of the tax-exempt business will be exempt. • Gains arising in the non tax-exempt part will be chargeable at the main rate of corporation tax (currently 23 percent).	Gains resulting from disposal of assets, transfer of rights in financial leases, or participation belonging to the eligible activities and duly distributed are exempt subject to distribution obligations.	Capital gains are in principle subject to the standard corporate income tax rate (33.99 percent), but the qualifying real property gains are excluded from the taxable base.	Exempt	Gains will be taxed in the ordinary manner.	Exempt	Capital gains can be allocated to a tax free capital gains reserve.	See above (same rules as for Income tax are applicable)
Withholding tax	Basic rate income tax (currently 20 percent) deducted at source from distributions paid out of tax exempt profits. This may be partially reclaimed under provisions of a tax treaty.	• 15 percent dividend withholding tax on dividends paid to a non-profitable entity resident in a EU Member State, Iceland, Norway or Liechtenstein • 15 percent dividend withholding tax on dividends drawn from exempt income and paid in favor of certain French UCITSs (Undertakings for Collective Investment in Transferable Securities, OPCVM in French) and AIFs (Alternative Investment Funds, FIA in French) (such as SICAVs, FCPs, FCPIs, SPPICAVs, etc.) or in favor of foreign OPCs that meet both of the following conditions: – it raises capital from a certain number of investors in view of investing it, under a defined investment policy, in the interest of those investors; – it has characteristics similar to the French undertaking for collective investment vehicles expressly enumerated in Article 119 bis (2) of the FTC (notably OPCVMs, SICAFs, OPCIs).	• 25 percent dividend withholding tax, which may be reduced by relevant tax treaties • 15 percent where a SICAFI's investments consist of at least 80 percent in Belgian residential property	No withholding tax	No withholding tax is levied on distributions received from subsidiaries.	25 percent dividend withholding tax plus solidarity surcharge 1.375 percent	• 15 percent, which may be reduced pursuant to a double taxation treaty • Provided certain conditions are met, the amount of the tax free capital gain reserve is considered "capital" for withholding tax purposes, which is, in principle, not subject to withholding tax.	• 21 percent withholding tax which, according to the current wording of the Law, would be reduced to 19 percent as of 1 January 2014. However, there is a Bill of Law being discussed to extend the 21 percent rate through to the end of 2014. If this is approved (which is expected) the 19 percent rate would only be applicable as of 1 January 2015. • No withholding in case the Parent-Subsidiary Directive (as implemented in Spain) is applicable • The withholding may be reduced pursuant to a tax treaty, if applicable.

REIT regimes in Europe

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Withholding tax (cont.)		• 21 percent dividend withholding tax on dividends paid to an individual resident in a EU Member State, Iceland, Norway or Liechtenstein • New 21 percent withholding tax on dividends paid to French tax resident individuals creditable against the personal income tax ("kind of installment of income tax") • 75 percent dividend withholding tax on dividend paid in a non-cooperative state or territory (i.e. tax haven) • 30 percent dividend withholding tax in the other cases (on dividend paid to non residents not falling in the above mentioned situations) • These rates may be reduced under the provisions of tax treaties to 15 percent, 10 percent, 5 percent or 0 percent.						
Other taxes			• Property taxes ("précompte immobilier") • Regional taxes • Annual tax on net asset value (currently 0.0965 percent for public SICAFIs) • Local taxes	Municipal tax on immovable property				• Local taxes • Taxes on the acquisition/ disposal of properties

REIT regimes in Europe

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Conversion into REIT status	• The "entry charge" of 2 percent of the market value of properties used in the tax-exempt business was abolished from summer 2012. • Losses of the tax-exempt business may not be offset against profits of the non tax-exempt business and vice versa. • A loss of the property rental business arising from a pre United Kingdom-REIT period may not be offset against any profits of the tax-exempt business. Other losses (e.g. capital losses) may be carried into the REIT period. • For capital allowances purposes, assets are deemed to be transferred at tax written down value and no balancing charge or allowance will arise.	• An exit tax amounting to 19 percent (plus potentially the 5 percent exceptional contribution) of the unrealized capital gains on the assets in the eligible portfolios is due – paid in four installments over 4 years. • Tax losses carried forward are deductible from the exit tax basis. • It may be possible to step-up the accounting base cost of the real estate properties to market value and to offset exit tax against the revaluation reserve.	• All unrealized capital gains on property will be taxed at a reduced corporate tax rate – 16.995 percent upon conversion (exit tax). • Tax losses carried forward are deductible from the exit tax basis.	It is not possible to convert companies in FIIs or vice versa.	• Entry substitute tax of 20 percent of the unrealized capital gains on properties held at the regime election date and used for the tax-exempt business; this tax may be paid in five annual equal installments. Alternatively, capital gains can be taxed in the ordinary manner. • The market value of these assets is recognized as their new tax value starting from the fourth tax period. • Option to also apply for the entry substitute tax for properties held at the regime election date and intended for sale (i.e. taxable businesses) • Tax losses arising from pre-conversion tax periods may be carried forward; these may be offset against capital gains due to the entry substitute tax or against the taxable income deriving from the taxable businesses.	• Provided certain conditions, including the legal form and activity restrictions are met, registration with the Federal Tax Office as Pre-REIT is possible. Pre-REIT is fully taxable. • Application for listing on the stock exchange is required within 4 years after registration with the Federal Tax Office as Pre-REIT.	• The unrealized capital gain is subject to corporate income tax at normal rate. • Necessary revaluation of all assets/liabilities to market value at the end of the year prior to the year the entity is converted into a BI	• Deferred taxes corresponding to temporary differences (assets and liabilities) would be realized under the general CIT regime (not the SOCIMI regime). • Tax losses pending to be applied at the date of conversion into SOCIMI cannot be utilized under the SOCIMI regime (unless for income taxable under the general CIT regime, i.e. in case of the transfer or properties/shares before the 3 years holding period elapsed). The same rule is applicable for tax credits pending to be applied when converting into SOCIMI. • Unrealized gains from real estate owned before the conversion into SOCIMI will be considered, when an eventual transfer of the property takes place, as generating income linearly during the ownership period (unless other distribution is proven), with the resulting profits subject to the corresponding tax treatment at that time they are deemed to have arisen. This rule is also applicable in case of income obtained on the transfer of shares in other SOCIMIs or similar entities as well as on the transfer of other assets.

REIT regimes in Europe

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Registration duties		• No proportional capital duty on capital contributions • Transfer tax at around 5 percent on acquisition of real estate or acquisition of shares in an unlisted real estate company • No transfer tax on the sale of the listed SIIC shares (except if it is concluded in writing)	• 0 percent capital duty concerning contributions in cash or kind to a SICAFI (exemption) • 10 percent or 12.5 percent real estate transfer tax (depending on the region of the property) – optimization may be possible through share deal structures and partial splits. • 2 percent real estate transfer tax on (long) lease rights • No registration duty on the transfer of shares	• The set up of REF should not be subject to registration tax. The contribution into a REF of a plurality of real estate properties that are mostly rented at the moment of the contribution, is subject to registration tax, mortgage and cadastral taxes at a fixed rate of EUR168 for each of these taxes (increased to EUR200 starting from 1 January 2014) . • The mortgage and cadastral tax (at 3 percent and 1 percent respectively) are reduced to 1.5 percent and 0.5 percent in case of transfer of instrumental assets subject to VAT	• No VAT applies on contribution of real estate. Further, EUR168 registration tax and EUR336 (EUR168 x 2) transfer tax are due increased to EUR200 starting from 1 January 2014. • Purchase of non residential real estate by REIT is: – VAT exempt under the ordinary regime (plus registration tax EUR168 + 2 percent "reduced" transfer tax) – Optionally subject to VAT (plus registration tax EUR168 + 2 percent "reduced" transfer tax)		6 percent real estate transfer tax on purchase of Dutch real estate (2 percent for residential) and the acquisition of an interest of 33.33 percent or more (through shares/ participations) in a Dutch real estate company/ investment fund	• Either VAT and Stamp Duty, or Real Estate Transfer Tax (RETT), are applicable in the case of acquisition of real estate properties. The RETT and Stamp Duty rates depend on the region in Spain where the real estate property is located. • A 95 percent RETT reduction could be applicable on the acquisition of housings for rental purposes/ land in order to develop housings.
Other benefits of REIT status		• Until December 31, 2011, a French SIIC, or its subsidiaries, could buy: i. a real estate property booked as a fixed asset, ii. shares of real estate companies, or iii. rights in a financial lease and the vendor benefits from a reduced rate of taxation of its capital gains of 19.63 percent.	REIT tax status can be extended to the REIT's subsidiaries.			Until 31 December 2009, a 50 percent exemption from capital gains tax on sale of real estate to REIT (or pre-REIT) was available.	Under circumstances, the REIT may receive a reduction regarding the payment of the withholding taxes due on the distributed dividends distribution (a remittance reduction). This may be the case if the BI receives income on which foreign or local withholding tax is being withheld.	

Tax at shareholders' level
Domestic corporate shareholders

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Dividends	• Treated as profits of United Kingdom property business • Separate to other United Kingdom property businesses • United Kingdom companies can receive dividends gross from the tax-exempt business.	• Dividends paid out of the tax-exempt income and gains are fully taxed at 34.43 percent. • Dividends paid out of the taxable income are fully taxed at 34.43 percent. However, qualifying parent companies holding at least 5 percent of the share capital of the SIIC are eligible for the parent-subsidiary 95 percent exemption. • Please see the comments on restrictions on shareholders regarding a charge which may arise on distributions to certain shareholders with more than 10 percent shareholding (20 percent withholding tax).	• Taxable in the hands of the shareholders • Participation exemption can only be claimed in very specific circumstances. • 25 percent WHT can be imputed on corporate income tax liability of shareholder.	• Institutional investors[5]: Profit is taxed upon distribution with a 20 percent withholding tax (WHT). The withholding tax is considered an account payment for investors that carry out business income and as final payment for all other investors. The WHT does not apply to profit distributed to Italian "Pension Fund" (Fondi Pensione) and to OICR set up in Italy. • Non-Institutional investor: i. with more than 5 percent of the FII units: the FII income is taxed, on a "look-through" basis, in the hands of each Unit Holder regardless of the effective receipt of the same and subject to corporate taxes. ii. with no-more than 5 percent of the FII units: 20 percent advanced/ final withholding tax respectively for investors that generate business income and for all other investors.	• From the tax-exempt business: 20 percent advanced withholding tax. Withholding tax may be credited against the final tax liability. • From the taxable businesses: taxable in the ordinary manner	Fully taxable without further tax credit on income from foreign countries or companies	• Included in taxable profit of shareholders • Cannot claim the participation exemption • 15 percent withholding tax • The dividend withholding tax can in principle be offset against the corporate income tax.	• The gross dividend will be included in the taxable base (the general CIT rate is 30 percent). • The amount withheld by the SOCIMI (21 percent) would reduce the amount payable by the shareholder.

[5] Institutional investors mainly refer to Italian State or public entities, Italian OICR (Organismi di investimento collettivo del risparmio in Italia); SICAV; pension funds, insurance companies, banking and financial intermediaries, non-profit entities, vehicles set up in Italy or in white list countries owned more than 50 percent by institutional investors.

Tax at shareholders' level
Domestic corporate shareholders

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Capital gains on disposal of shares	Fully taxable in the ordinary manner	• Capital gains fully taxable at 34.43 percent • However, if the shares are held for more than 2 years, capital gains could be taxed at a reduced 19.63 percent rate (subject to certain conditions).	Fully taxable as ordinary profit at 33.99 percent as the participation exemption can only be claimed in very specific circumstances (i.e. a SICAFI generally does not meet the subject-to-tax condition).	• Institutional investor: The capital gains must be included in Investor's taxable basis for FII shares held in connection with a business activity; 20% substitute tax apply for all other investor. • Non-Institutional investor: i. with more than 5 percent of the FII units: the gain is taxed at ordinary corporate tax rate (27.5 percent) as Participation Exemption does not apply. Capital gain is taxed on 49.72 percent of its amount at the ordinary tax rate if the unit holder does not perform a business activity. ii. with no-more than 5 percent of the FII units: the capital gains must be included in Investor's taxable basis for FII shares held in connection with a business activity; or subject to 20 percent substitute tax in other case.	• Taxable in the ordinary manner • PEX regime is not allowed.	• Fully taxable (no 95 percent exemption) • Losses fully tax effective	• Included in the taxable profit of shareholder • Cannot claim the participation exemption	The gross capital gain will be included in the taxable base (the general CIT rate is 30 percent).

Tax at shareholders' level
Domestic corporate shareholders

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Return of capital distribution	A share buyback will be a disposal for capital gains purposes and taxable in the ordinary manner.	• In the framework of a share capital reduction and a share buyback, the amount allocated to the shareholder that exceeds the contribution made by the shareholder is in principle taxed as a dividend. • In addition, the share buyback may also give rise to a taxable capital gain.	In case of a share buyback, the amount allocated to the shareholder that exceeds the paid-in capital is in principle taxed as a dividend.	• Does not constitute a tax event. The amount allocated to the shareholder that exceed the contribution made by the shareholder is in principle taxed as dividend as described above.	Not to be taxed		• (Partial) repayment of capital may be subject to Dutch dividend withholding tax to the extent that the BI has net profits. • Any Dutch dividend withholding tax imposed can in principle be offset against the corporate income tax.	In the framework of a share capital reduction and a share buyback, the amount allocated to the shareholder that exceeds the contribution made by the shareholder is taxed as a dividend.
Substantial interest							No participation exemption is applicable in respect of a substantial interest in a Dutch BI.	

Tax at shareholders' level
Domestic individual shareholders

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Dividends	• Taxed as if profits of a property rental business • Treated as separate business to other property rental businesses • Withholding mechanism for the distribution of income from the tax-exempt business at the basic rate (currently 20 percent) – the withholding tax is creditable against the property rental business tax liability.	Dividends are subject to income tax at the progressive rate (marginal rate of 45 percent plus social contributions of 15.5 percent).	• 25 percent withholding tax is the final levy. • 15 percent in case 80 percent of the SICAFI's assets are invested in residential property.	• Non-Institutional investor: i. With more than 5 percent of the FII units: the FII income is taxed, on a "look-through" basis, in the hands of each Unit Holder regardless of the effective receipt of the same and subject to investor's tax regime. ii. With no-more than 5 percent of the FII units: 20 percent advanced/ final withholding tax respectively for investors that generate business income and for all other investors.	• From the tax-exempt business: 20 percent advanced/final withholding tax depending on whether or not the SIIQ's shares are held in connection with a business activity (in this case, withholding tax may be credited against the final tax liability) • From the taxable businesses: taxable in the ordinary manner	• From 2009, the 26.375 percent WHT (flat tax) is the final tax burden. No individual tax. No further tax credit on income from foreign countries or companies • Lower taxation may be applicable, depending on individual circumstances.	• "Deemed income basis" – 1.2 percent income tax of the value of investment per 1 January of the tax year • 15 percent withholding tax is levied. The dividend withholding tax can in principle be offset against the income tax. • It is assumed that the shares are not (do not have to be) considered to be business assets and the shareholder is not considered to perform activities which go beyond passive investment in respect of the shares in the BI, and furthermore the shareholder does not have a substantial interest (in principle together with tax partner: an interest of 5 percent or more) in the BI.	• Subject to the general PIT regime (tax rate applicable between 21 percent and 27 percent, although according to the current wording of the Law, this would be reduced to as low as 19 percent as of 1 January 2014. However, there is a Bill of Law being discussed to extend the 21 percent rate through to the end of 2014. If this is approved (which is expected) the 19 percent rate would only be applicable as of 1 January 2015. • The amount withheld by the SOCIMI (21 percent) would reduce the amount payable by the shareholder.

Tax at shareholders' level
Domestic individual shareholders

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Capital gains on disposal of shares	Fully taxable in the ordinary manner	As from 1 January 2013, capital gains are taxable based on the progressive tax scale, leading to a maximum 45 percent taxation rate (plus social contributions at a 15.5 percent rate). For income tax purposes, the taxation is reduced through a progressive allowance on the capital gain realized, depending on the holding period of the shares sold (20 percent for a minimum holding period of 2 years, 30 percent as from 4 years and 40 percent as from 6 years). This new regime is likely to be modified again in the framework of the next finance laws.	Not taxable (assuming it falls within the scope of the normal management of one's private estate). If not, they will be taxable at 16.5 percent or at the general progressive income tax rate.	• Non-Institutional investor: i. With more than 5 percent of the FII units: the gain is taxed at marginal rate on 49.72 percent of its amount if the unit holder does not perform a business activity. ii. With no-more than 5 percent of the FII units: the capital gains must be included in Investor's taxable basis for FII shares held in connection with a business activity; 20 percent substitute tax is applied for all other investor.	• Taxable in the ordinary manner • PEX regime is not allowed.	• From 2009 onwards, the 26.375 percent WHT (flat tax) is applicable on capital gain and is the final tax burden. This applies regardless of the holding period. • Lower taxation may be applicable, depending on individual circumstances.	Not subject to any special tax	Subject to the general PIT regime
Return of capital distribution	A share buyback will be a disposal for capital gains purposes and taxable in the ordinary manner	• A share buyback, performed according to the specific process provided for by Article 225-209 of the French Commercial Code (process used in most of the cases), gives rise to a taxable capital gain. • In the framework of a share capital reduction and an ordinary share buyback, the amount allocated to the shareholder that exceeds the contribution made by the shareholder is in principle taxed as a dividend. • In addition, the share buyback may also give rise to a taxable capital gain.	Not taxable	• Does not constitute a tax event as described above.	Not subject to taxation		(Partial) repayment of capital may be subject to Dutch dividend withholding tax to the extent that the BI has net profits.	In the framework of a share capital reduction and a share buyback, the amount allocated to the shareholder that exceeds the contribution made by the shareholder is taxed as a dividend.

Tax at shareholders' level
Foreign shareholders

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Dividends	Foreign shareholders receive dividends from the tax-exempt business net of basic rate income tax (currently 20 percent). They may be able to reclaim some of this under the provisions of a double tax treaty.	• 15 percent dividend withholding tax on dividends paid to a non-profitable entity resident in a EU Member State, Iceland, Norway or Liechtenstein • 15 percent dividend withholding tax on dividends drawn from exempt income and paid in favor of certain French UCITSs (Undertakings for Collective Investment in Transferable Securities, OPCVM in French) and AIFs (Alternative Investment Funds, FIA in French) (such as SICAVs, FCPs, FCPIs, SPPICAVs, etc.) or in favor of foreign OPCs that meet both of the following conditions: – it raises capital from a certain number of investors in view of investing it, under a defined investment policy, in the interest of those investors; – it has characteristics similar to the French undertaking for collective investment vehicles expressly enumerated in Article 119 bis (2) of the FTC (notably OPCVMs, SICAFs, OPCIs). • 21 percent dividend withholding tax on dividends paid to an individual resident in a EU Member State, Iceland, Norway or Liechtenstein	• 25 percent withholding tax • Should be determined on a case by case basis whether treaty access is available to claim a reduction • 15 percent of 80 percent of the SICAFI's assets are invested in residential property. • Belgian tax law provides for an exemption of withholding tax on dividends distributed to non-resident investors who do not assign these assets for carrying out a professional activity in Belgium (to the extent that the distributed dividend does not stem from Belgian source dividends).	• Institutional Investor: Profit is taxed upon distribution with a 20 percent withholding tax, that could be reduced according to the DTT where applicable. The 20 percent WHT is not applicable to profits distributed to: i. foreign pension funds and foreign undertakings for collective investment of savings established in countries included in the so called "White list; ii. international bodies established on the basis of international treaties that are valid in Italy, as well as iii. central banks or entities that manage the official reserve of State iv. vehicles 100 percent owned by institutional investors (i.e. pension funds, OICR residing in white list countries) and by sovereign funds • Non-Institutional Investor: With more than 5 percent, profit is taxed upon distribution with a 20 percent domestic withholding tax that could be reduced according to DTT, where applicable.	• From the tax-exempt business: 20 percent final withholding tax; 15 percent final withholding tax on the distribution of profits deriving from the letting of certain residential buildings. No exemption for shareholders as resident in counties that provide for an adequate exchange of information with the Italian tax authorities. The EU parent directive is not applicable, so that no exemption may be granted DTT benefits might be applicable (Foreign Tax Credit might fully recover, locally, the final WHT paid at source). • Taxable in the ordinary manner if profits are derived from the SIIQ's taxable businesses	• 25 percent in general +5.5 percent solidarity surcharge thereon, i.e. 26.375 percent • Reduction of withholding tax according to some tax treaties • Final tax burden • No affiliation privilege if capital stake is 10 percent or more • EU Parent/Subsidiary Directive not applicable, since REIT-AG is tax exempt	• Not taxable in the Netherlands, assuming that the shareholder: – is not a resident nor deemed to be a resident nor has opted to be treated as a resident in the Netherlands; – does not have an enterprise or an interest in an enterprise that, in whole or in part, is carried on through a permanent establishment or a permanent representative in the Netherlands and to which permanent establishment or permanent representative the shares are attributable; - does not have a deemed Netherlands enterprise to which enterprise the shares are attributable; - does not have, or is not deemed to have, a substantial interest in the BI. • Cannot claim the participation exemption • 15 percent withholding tax • May be reduced under the double tax treaty	• A 21 percent rate is in principle applicable (eventually to be reduced which, according to the current wording of the Law, would be reduced to 19 percent as of 1 January 2014. However, there is a Bill of Law being discussed to extend the 21 percent rate through to the end of 2014. If this is approved (which is expected) the 19 percent rate would only be applicable as of 1 January 2015. This rate could be reduced pursuant to a tax treaty, if applicable. • No taxation in case the Parent-Subsidiary Directive (as implemented in Spain) is applicable – In case the dividends are obtained through a permanent establishment in Spain, the same rules as for domestic corporate shareholders are applicable. • The amount withheld by the SOCIMI would reduce the tax payable by the shareholder.

Tax at shareholders' level

Foreign shareholders

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Dividends (cont.)		• New 21 percent withholding tax on dividends paid to French tax resident individuals creditable against the personal income tax ("kind of installment of income tax") • 75 percent dividend withholding tax on dividend paid in a non-cooperative state or territory (i.e. tax haven) • 30 percent dividend withholding tax in the other cases (on dividend paid to non residents not falling in the above mentioned situations) • These rates may be reduced under the provisions of tax treaties to 15 percent, 10 percent, 5 percent or 0 percent. • Please see the comments on restrictions on shareholders regarding a charge which may arise on distributions to certain shareholders with more than 10 percent shareholding.						

Tax at shareholders' level
Foreign shareholders

	United Kingdom	France (SIIC)	Belgium (SICAFI)	Italy (FII)	Italy (SIIQ)	Germany	Netherlands (BI)	Spain (SOCIMI)
Capital gains on disposal of shares		• Where a foreign investor directly or indirectly holds at least 10 percent of the SIIC share capital, capital gains are subject to a 33.33 percent withholding tax, subject to the application of tax treaties. This rate is reduced to 19 percent for investors located in a EU Member State, Iceland, Norway or Liechtenstein. • This rate is increased up to 75 percent for foreign investors located in a non-cooperative state or territory (i.e. tax haven). • Non-profitable entities located in a EU Member State, Iceland, Norway or Liechtenstein are exempt. • Non-resident individuals are also subject to social contributions (15.5 percent).	Based on the double tax treaties, in principle not taxable in Belgium	• Capital gain is taxed in Italy at marginal rate on 49.72 percent of its amount if the shareholders do not perform a business activity or to a substitute tax at 20 percent. It would apply DTT provisions if available. • Foreign unit holders resident in countries that provide for an adequate exchange of information with the Italian tax authorities are exempt from the substitute tax withholding tax provided they are the beneficial owners.	• Taxable in the ordinary manner • PEX regime is not allowed.	• May be exempt from German tax	• Not taxable in the Netherlands, assuming that the shareholder conditions directly above are met • Cannot claim the participation exemption	• Any capital gain is subject to 21 percent tax (eventually to be reduced to 19 percent as of 1 January 2014). This rate could be reduced pursuant to a tax treaty, if applicable. • In case the gain is realized through a permanent establishment in Spain, the same rules as for domestic corporate shareholders are applicable.
Return of capital distribution		• In the framework of a share capital reduction and a share buyback, the amount allocated to the shareholder that exceeds the contribution made by the shareholder is in principle taxed as a dividend potentially subject to withholding tax. • In addition, the share buyback may also give rise to a taxable capital gain which may be subject to withholding tax.	Not taxable	• Does not constitute a tax event • 20 percent final withholding tax applied by SGR on the difference between the redemption value and the subscription cost. No taxation in case of foreign shareholders resident in countries that provide for an adequate exchange of information with the Italian tax authorities (ie. "white list countries") if they are the beneficial owners.	Not subject to taxation		(Partial) repayment of capital may be subject to Dutch dividend withholding tax to the extent that the BI has net profits.	In the framework of a share capital reduction and a share buyback, the amount allocated to the shareholder that exceeds the contribution made by the shareholder is taxed as a dividend.

REIT regimes in Asia Pacific

REIT regimes in Asia Pacific

	Hong Kong (REIT)	Singapore (SREIT)	Australia	Japan (JREIT)	South Korea (General REIT, CR-REIT, Entrusted Management REIT)	Philippines
Year Enacted	2003	2002	No specific REIT regime CGT regime: 1985 MIT withholding tax rules: 2008	2000	• General REIT and CR-REIT: 2001 • Entrusted Management REIT: 2005	The REIT ACT of 2009 lapsed into law on 17 December 2009 and became effective on 9 February 2010.
Governed by or under supervision	Regulated by the Securities and Future Commission (SFC).	• Governed by the Monetary Authority of Singapore (MAS) and the Singapore Exchange. • Regulated by the Property Funds Guidelines, the Securities and Futures Act, the Code of Collective Investments Scheme, the listing manual of the Singapore Exchange, and the Code of Corporate Governance 2005.	Governed by the Income Tax Assessment Acts 1936 and 1997, Tax Administration Act 1953 and Corporations Act 2001.	• Governed by the Investment Trust and Investment Corporation Law. • Additionally, JREITs must observe self-regulating rules established by the Investment Trusts Association. • JREITs must comply with the Japanese tax law in order to be tax qualified.	Governed by the Real Estate Investment Company Act.	• Governed by Real Estate Investment Trust (REIT) Act of 2009, Corporation Code of the Philippines, Securities Regulation Code of 2000, The National Internal Revenue Code of 1997 as amended. • Regulated by Securities and Exchange Commission (SEC) and Bureau of Internal Revenue.
Formalities and procedure	Must comply with the REIT Code. This includes, subject to certain de-minimize thresholds: • All connected party[6] transactions to be subject to voting by unit holders, with those holding a material interest in the transactions to abstain from voting. • The management company and the trustee must function independently but they may be part of the same corporate group if certain requirements are fulfilled. • The management company has to appoint financial advisors. • Valuation reports are required at least annually.	Application to the Inland Revenue Authority of Singapore for tax transparency ruling.	• No special legal or regulatory requirements need to be a REIT • However, to benefit from withholding tax changes, the REIT must at least be a Managed Investment Trust ('MIT'), for which the requirements are: i. the trustee of the trust is an Australian resident or the central management and control of the trust is in Australia; ii. the trust is a 'managed investment scheme' operated by a 'financial services licensee' whose license covers operating such an investment scheme (as defined in the Corporations Act); iii. the trust is either widely held or deemed to be widely held by virtue of qualified investors.; iv. a substantial portion of the investment management activities are undertaken in Australia; and v. no foreign resident individual holds (directly or indirectly) 10 percent or more of the trust[7]. • In addition, to benefit from the proposed new deemed capital rules, the following requirements must be satisfied: i. the REIT must satisfy the relevant MIT definition; and ii. the REIT must make an election within the required time limit[8].	• Bylaws must be prepared and filed with the prime minister. • Registration with the prime minister is required to obtain investment corporation status.	• General REIT – manages assets by themselves, must obtain approval from the Ministry of Land, Infrastructure and Transport ('MOLIT'). Often manages with the assistance of investment advisory companies. • CR-REIT – paper company (must describe its duration in its article of incorporation). Entrusts the management of assets to asset management companies (which are licensed by the MOLIT). • Entrusted Management REIT – paper company (must describe its duration in its article of incorporation). Entrusts the management of assets to asset management companies (which are licensed by the MOLIT).	• Register with the SEC in accordance with the Corporation Code and the rules and regulations prescribed by SEC. • Like any other corporations, the REIT must also register with other government agencies such as the Bureau of Internal Revenue, local government unit, and social security agencies. • The shares of stock must be registered with the SEC and listed with the stock exchange. • At least one-third or at least two, whichever is higher, of the board of directors of a REIT shall be independent directors.

6. For the purpose of the Code, a connected party transaction is any transaction between the REIT scheme and any of the connected persons (such as the management company, the property valuer, the trustee, a significant holder of 10% or more of the outstanding units of the REIT scheme, etc) as defined in the Code or any transaction between two or more REIT schemes which are managed by the same management company.
7. The Australian Government has announced that it intends to amend the current MIT definition for withholding tax purposes to allow certain 'widely held' trusts to qualify.
8. Broadly, under the proposed new rules, the REIT must either satisfy the current MIT definition for withholding tax purposes or satisfy an extended definition for certain 'widely held' trusts.

REIT regimes in Asia Pacific

<table>
<tr><th></th><th>Hong Kong (REIT)</th><th>Singapore (SREIT)</th><th>Australia</th><th>Japan (JREIT)</th><th>South Korea (General REIT, CR-REIT, Entrusted Management REIT)</th><th>Philippines</th></tr>
<tr><td>Legal form and share capital</td><td>• Unit trust listed in Hong Kong.
• No formal minimum capital requirements in REIT Code but subject to listing rules.
• No limits are placed on the REIT's cash holdings.
• Assets of the REIT are held on trust and segregated from the assets of its trustees.</td><td>• Unit Trust constituted by Trust Deed
• USD20 million minimum assets size (to be listed on Singapore Exchange)</td><td>• Resident/non-resident (public) unit (fixed) trust
• May adopt one of two structures:
i. stand-alone unit trust, passively holding real estate portfolio; or
ii. form part of a listed stapled security where a company share(s) and unit trust(s) unit(s) are stapled such that they cannot be sold separately. Usually, the company will undertake a range of activities relating to the real estate owned by the trust [e.g. management, rent to use (e.g. hotel, hospital), funds management, etc.].
• Managed by a corporate trustee/ responsible entity/fund manager.
• No minimum capital requirements exist.
• Larger LPTs now involve stapled structures.</td><td>• Trust or Corporation
• Minimum capital required for corporate type is JPY (Japanese Yen) 100 million.</td><td>• Self-Management REIT – a stock company.
• CR-REIT is a paper company (i.e. special purpose company that has a finite life) with minimum share capital of KRW (South Korean Won) 5 billion.
• Entrusted Management REIT – a paper company with a minimum share capital of KRW5 billion.
• Self-Management REIT and the other REITs are allowed to start with a share capital of KRW1 billion and KRW0.5 billion, respectively, which is to be increased to at least KRW7 billion and KRW5 billion, respectively, within six months of obtaining the business approval from the MOLIT.</td><td>• Stock corporation
• Must be a public company and to be considered as such, a REIT shall:
i. maintain its status as a listed company; and
ii. upon and after listing, have at least 1,000 public shareholders each owning at least 50 shares, and who, in the aggregate, own at least 40 percent of the outstanding capital stock of the REIT at the initial year, provided that the minimum ownership shall be increased to 67 percent within 3 years from listing
• Minimum paid up capital of PHP (Philippines Peso) 300 million at the time of incorporation, in either cash and/or property.
• Nationality Requirement: Can be 100 percent foreign-owned, however REIT that owns land located in the Philippines must comply with foreign ownership limitations imposed under Philippine law.</td></tr>
<tr><td>Restriction on shareholdings</td><td>Minimum public float applies</td><td>At least 500 public shareholders holding 25 percent of its units.</td><td>None</td><td>• One of the following requirements must be met:
i. there is a public offering of units with a total issue price of JPY100 million;
ii. there are 50 or more unit holders at the end of the fiscal year; or
iii. 100 percent of units are held by qualified institutional investors at the end of the fiscal year
• More than 50 percent of the units must be issued domestically
• The largest unit holder and its affiliates do not collectively hold more than 50 percent of the outstanding units at the end of the fiscal year</td><td>• Self-Management REIT – Minimum 30 percent public float and each investor holding less than 30 percent .
• CR-REIT – no limitation on shareholding by individual.
• Entrusted Management REIT – Minimum 30 percent public float and each investor holding less than 40 percent .</td><td>• Upon and after listing, have at least 1,000 public shareholders each owning at least 50 and in the aggregate, own at least 40 percent of the outstanding capital stock of the REIT at the initial year; provided that the minimum ownership shall be increased to 67 percent within three years from listing.
• A REIT that owns land located in the Philippines must comply with foreign ownership limitations imposed under Philippine law.</td></tr>
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REIT regimes in Asia Pacific

	Hong Kong (REIT)	Singapore (SREIT)	Australia	Japan (JREIT)	South Korea (General REIT, CR-REIT, Entrusted Management REIT)	Philippines
Mandatory listing on stock exchange	Mandatory to list on Hong Kong Stock Exchange.	• REIT must be listed on the Singapore Stock Exchange to be eligible for tax concessions • In order to be able to list, REIT must have SGD (Singapore Dollar) 20 million of assets	• Optional requirement to list on Australian Stock Exchange – in order to be able to list must have 500 unit holders each holding a parcel of units with a value of at least AUD (Australian Dollar) 2,000 • To qualify as a MIT – easier if listed on Australian Stock Exchange	Optional to list on a Japanese Stock Exchange. A number of requirements must be met in order to be able to list	• Self-Management REIT and Entrusted Management REIT – mandatory listing on the securities market of the Korea Stock Exchange. • CR-REIT – optional	A REIT shall be a public company and to be considered as such, it shall: (a) maintain its status as a listed company; and (b) upon and after listing, have at least 1,000 public shareholders each owning at least 50 shares, and in the aggregate, own at least 40 percent of the outstanding capital stock of the REIT at the initial year, provided that the minimum ownership shall be increased to 67 percent within three years from listing.
Restriction on activities and investments	• Can invest in real estate anywhere in the world. • Investing in hotels and recreation parks is permitted. • Cannot invest in vacant land or participate in property development activities. • Real estate must generally be income generating, exceptions allowed for buildings in the course of substantial redevelopment or refurbishment • Some restrictions when investing through SPVs.	• At least 70 percent of the funds deposited property should be invested in real estate and real estate related assets. • May also invest in immovable property related assets such as listed or unlisted debt securities, listed shares of property companies, mortgage-backed securities, other property funds, and assets incidental to the ownership of immovable property, listed shares of non-property corporations and government securities. • Cannot undertake development activities, whether directly, through joint ventures or indirectly including investment in unlisted property development companies. Not allowed to invest in vacant land and mortgages. • In principle, can invest in overseas real estate, however, tax ruling is premised on SREITs only investing in Singapore real estate.	• Unit trusts are able to invest offshore. • Public unit trusts (broadly, unit trusts that are listed, have at least 50 unit holders or 20 percent of the units are held by superannuation funds and certain exempt entities) can only undertake development activity to 'primarily derive rental income' and/or certain other eligible activities. Otherwise, the development activity will be deemed a 'trading business' such that the trust will not be eligible for flow through tax treatment, but will be treated as a company for tax purposes. Hence, the adoption of stapled security structures. • Safe harbor rules: i. Twenty-five percent safe-harbor allowance for non-rental, non-trading income from investments in land. ii. Two percent safe-harbor allowance at the whole of trust level for non-trading income that is incidental and relevant to the 'eligible investment business' applies. iii. Property trusts can hold investment properties indirectly through SPVs.	• Investments only in 'Qualified Assets' These include real estate and leasehold rights in real estate. • REITs are no longer prohibited from investing in foreign assets. • Cannot hold 50 percent or more of the total issued shares of another company excluding certain offshore companies for the limited purposes of acquiring, leasing, and disposing of offshore real estate.	• Self-Management REIT: at least 80 percent of assets must be invested in real estate, real estate-related securities and cash. In addition, at least 70 percent of total assets must be real estate. • CR-REIT: at least 70 percent of the asset must be invested in real estate placed in the market because of corporate restructuring. • Entrusted Management REIT: at least 80 percent of assets must be invested in real estate, real estate-related securities and cash. In addition, at least 70 percent of total assets must be real estate.	• May only invest in: i. Real estate located in the Philippines, whether freehold or lease hold; At least 75 percent of the deposited property of the REIT shall be invested in, or consist of, income-generating real estate located inside or outside the Philippines. Of this, the real estate located in the Philippines should not be less than 35 percent of the deposited property while those located outside the Philippines should not exceed 40 percent of its deposited property and only upon special authority from the SEC. ii. Real estate-related assets, wherever the issuers, assets, or securities are incorporated, located, issued or traded. iii. Managed funds, debt securities and listed shares issued by local or foreign non-property corporations. iv. Government securities issued on behalf of the Philippine government or governments of other countries and securities issued by multilateral agencies. v. Cash and cash equivalent items. • May only undertake property development activities if it intends to hold the developed property upon completion. Contract value of these activities and investment in uncompleted property developments should not exceed 10 percent of the deposited property. • Not more than 15 percent of investible funds may be invested in any one issuer's securities or any one managed fund, except in government securities where limit is 25 percent .

REIT regimes in Asia Pacific

	Hong Kong (REIT)	Singapore (SREIT)	Australia	Japan (JREIT)	South Korea (General REIT, CR-REIT, Entrusted Management REIT)	Philippines
Minimum real estate holding period	Two years (may sell earlier subject to unit holders' approval)	None	None	None	• Self-Management REIT and Entrusted Management REIT: i. Domestic real property: House: three years / Others: one year ii. Oversea real property: Depends on Articles of Association • CR-REIT: no restriction	None
Leverage	Borrowings shall not exceed 45 percent of the total gross asset value of the scheme.	• 35 percent of its deposited property • May exceed 35 percent of its deposited property (up to a maximum of 60 percent) if the REIT has obtained a credit rating from either Fitch Inc, Moody's or Standard and Poor's, which is then disclosed to the public. The REIT must then continue to disclose its credit rating until its borrowings drop to 35 percent (or below) of its deposited property.	• If the thin capitalization rules apply, the listed property trust is broadly allowed to gear 75 percent of its adjusted Australian asset base (60 percent from 1 July 2014). • Debt deductions (e.g. interest expenses) will be reduced where the amount of debt exceeds the permitted gearing ratio of 3:1 (1.5:1 from 1 July 2014). There are certain de-minimus and limited arm's length exemptions.	Unlimited, but any borrowings by a JREIT must be from a qualified financial institution.	Borrowings shall not exceed the amount twice REIT's net worth, which can be extended to ten times, albeit subject to a special resolution of the REIT's general meeting of shareholders.	• Total borrowing and deferred payments should not exceed 35 percent of its deposited property • REIT that has a publicly disclosed investment grade credit rating by a duly accredited or internationally recognized rating agency may exceed 35 percent but not more than 70 percent of its deposited property • Fund manager shall not borrow for the REIT from any of the funds under its management
Distribution on operative income	At least 90 percent of its audited annual net income after tax. Trustee can exclude certain revaluation gains and capital profits.	• 90 percent of taxable income arising from the letting of properties in Singapore. • No requirements with respect to the income from investment in overseas properties, as tax transparency are not applicable.	• No requirement. However, trustee of trust is taxable if unit holders are not entitled to 100 percent of the income of the trust at year end • Where stapled structure adopted, no minimum dividend requirements exist for the company.	At least 90 percent of accounting income or distributable profit.	At least 90 percent of distributable income.	• At least 90 percent of its distributable income based on the audited financial statements for the recently completed fiscal year prior to the prescribed distribution shall be distributed annually as dividends to its shareholders. • Dividends may be in the form of cash, property or stock dividends.
Distribution of capital gain on disposed investments	No requirement, subject to trust deed.	No requirement.	No requirement. However, trustee of trust is taxable if unit holders are not presently entitled at year-end to 100 percent of capital gains realized on disposal of property.	At least 90 percent of accounting income or distributable profit.	At least 90 percent of distributable income.	• Gain from the sale of REIT's assets shall form part of the distributable income. • Distributable income excludes proceeds from the sale of REIT's assets that are reinvested by the REIT within one year from the date of the sale.
Timing of distribution	Annually	Annually	• Annually • MITs must distribute within three months of year-end.	Annually	Annually	Annually, not later than the last working day of the fifth month following the close of the fiscal year of the REIT.

REIT regimes in Asia Pacific

	Hong Kong (REIT)	Singapore (SREIT)	Australia	Japan (JREIT)	South Korea (General REIT, CR-REIT, Entrusted Management REIT)	Philippines
Income tax	• Hong Kong property held directly by the REIT is subject to property tax of 15 percent . • Hong Kong property held by SPVs is subject to profits tax of 16.5 percent . • Dividend income from SPVs is tax exempt. • No Hong Kong tax on income from foreign properties.	• Not taxable if SREIT is taxable income from Singapore properties is distributed within the financial year. • Any taxable income not distributed within the financial year is subject to tax at the prevailing tax rate, currently 17 percent .	• Trustee is not taxable provided that unit holders are presently entitled to income of the trust at year-end • Net income for tax purposes that unit holders are not presently entitled to at year-end is taxed in the hands of the trustee at the current rate of 46.5 percent .	JREIT is subject to tax (currently 39 percent and will be reduced to 37 percent for fiscal years beginning from 1 April 2015), however distributions are deductible if certain requirements are met.	Subject to corporate income tax (11 percent, including resident surtax, for taxable income up to KRW200 million, 22 percent for taxable income between KRW200 million and KRW20 billion and 24.2 percent for the excess), however distributions are deductible if 90 percent or more of the distributable profits are declared or distributed as dividend in only CR-REIT, Entrusted Management REIT.	• 30 percent of its taxable net income • Dividends actually distributed out of the distributable income at any time after the close of but not later than the last day of the fifth month from the close of the taxable year, shall be allowed as deductions
Capital gains tax	No capital gains tax	No capital gains tax	• Net capital gain (if any) included in taxable income of trust. • 50 percent capital gains tax discount may be available to individuals and trusts. • 33 percent capital gains tax discount may be available to complying superannuation funds. • Non-residents exempt from tax for capital gains and losses in relation to 'non-taxable Australian assets'. No discount applies to taxable capital gains. • Under proposed new deemed capital rules, if the trust makes a valid election, certain assets (broadly, real estate, shares in companies and units in unit trusts) are deemed to be held on capital account and therefore disposal of these assets may be eligible for the capital gains tax discount for residents, and exemption for non residents (where assets are 'non-taxable Australian assets'). If no election is made, the assets will be deemed to be held on revenue account (with the exception of real estate, which will be taxed according to the ordinary capital/revenue distinction).	Treated the same as ordinary income.	• Subject to corporate income tax (11 percent , including resident surtax, for taxable income up to KRW200 million, 22 percent for taxable income between KRW200 million and KRW20 billion and 24.2 percent for the excess), but distributions are deductible if 90 percent or more of the distributable profits are declared or distributed as dividend in only CR-REIT, Entrusted Management REIT • Additionally, the sale of certain tainted assets such as housing or non-business land is subject to capital gains surtax at a rate of 33 percent , including resident surtax	• No capital gains tax on the transfer by the REIT of real property because the REIT is considered engaged in real estate business so all its real property is considered as ordinary assets. Hence, gains from disposal of real property are ordinary income subject to ordinary income tax. • However, transfer of real property classified as capital asset to the REIT is generally subject to capital gains tax of 6 percent based on gross selling price or fair market value, whichever is higher • Gains from sale, barter, exchange or other disposition of investor securities outside the local stock exchange are subject to capital gains tax at the following rates: i. 5 percent – not over PHP100,000 ii. 10 percent – amount in excess of PHP100,000

REIT regimes in Asia Pacific

	Hong Kong (REIT)	Singapore (SREIT)	Australia	Japan (JREIT)	South Korea (General REIT, CR-REIT, Entrusted Management REIT)	Philippines
Withholding tax	None	• Withholding tax at the prevailing corporate tax rate, currently 17 percent , is applicable on distributions made by SREITs, except where the distributions are made to: i. Individuals who will receive the distributions free of withholding tax, unless these are received through a Singapore partnership. ii. Qualifying unit holders (such as Singapore resident corporate unit holders, Singapore branches of foreign companies, bodies of persons, etc.) who will receive the distributions free of withholding tax. iii. Qualifying foreign non-individual unit holders who will receive distributions at the reduced rate of 10 percent for distributions made until 31 March 2015.[9]	• The trustee must withhold tax in relation to the Australian source income distributions to foreign unit holders • 30 percent withholding tax for unfranked dividends and 10 percent on interest on distributions to nonresident unit holders. May be reduced by double tax treaty. • Dividend distributions to an Australian branch of a foreign resident individual are not subject to withholding tax. Such dividends will be taxed on an assessment basis (i.e. an Australian income tax return must be lodged). • Partly or fully unfranked dividends may be exempt from dividend withholding tax under conduit foreign income rules. • For other types of Australian source income (with the exception of a capital gain in respect of a non taxable Australian asset, which will be exempt), the rate of withholding tax depends on whether the trust is a MIT. • For a non-MIT, tax of 30 percent is withheld by the trustee from distributions to non-resident companies. Non-resident marginal tax rates apply to non-resident individuals. However, this is not the final tax. Foreign unit holders may lodge an Australian income tax return and receive a credit for tax paid by trustee. If tax assessed on lodgment of the Australian tax return is less than tax withheld, unit holders can obtain a refund of tax withheld by trustee. • For an MIT, foreign investors in a country with which Australia has an effective exchange of information (EOI) on tax matters[10] are subject to the following withholding tax rates: i. a 7.5 percent final withholding tax for distributions in the 2009-10 income year ii. a 15 percent final withholding tax for distributions in the 2010-11 income year and beyond. • For foreign investors in a country with which Australia does not have an effective EOI, the trustee of a MIT is required to withhold final tax at the rate of 30 percent .	• For corporate unit holders and foreign individual unit holders of listed JREITs, 7.147 percent withholding tax until 31 December 2013; and 15.315 percent until 31 December 2037 (and 15 percent thereafter). • For domestic individual unit holders of listed JREITs who own less that 3 percent of issued units, 10.417 percent withholding tax until 31 December 2013; and 20.315 percent until 31 December 2037 (and 20 percent thereafter). From January 1 2014 up through December 31 2023, domestic individuals will be allowed to contribute up to JPY1 million per year of certain listed stock into a non-taxable individual savings account ('ISA'). Dividends received on stock held in the ISA are not subject to withholding tax for a period of 5 years from January 1st of the year in which the account is established. • For individual unit holders of listed JREITs who own 3 percent or more of issued units, 20.42 percent until 31 Dec 2037 and 20 percent thereafter. • For unit holders of unlisted JREITs, 20.42 percent until 31 Dec 2037 and 20 percent thereafter.	• 15.4 percent tax for distributions to resident individuals. • No withholding tax for distributions to resident corporations. • 22 percent for distributions to non-residents, which may be reduced under the applicable tax treaty.	• All income payments subject to the expanded withholding tax received by a REIT shall be subject to a creditable withholding tax rate of 1 percent . • In general, cash or property dividends paid by a REIT are subject to a final withholding tax of 10 percent.

9. This concessionary WHT rate of 10% was extended in the 2010 Budget for distributions made up to 31 Mar 2015. Thereafter the WHT rate will be the prevailing corporate tax rate at the time unless this concession is again extended.
10. The 37 countries with which Australia has an effective EOI on tax matters are: Argentina, Bermuda, Canada, China, Czech Republic, Denmark, Fiji, Finland, France, Germany, Hungary, India, Indonesia, Ireland, Italy, Japan, Kiribati, Malta, Mexico, Netherlands, Netherlands Antilles, New Zealand, Norway, Papua New Guinea, Poland, Romania, Russia, Slovakia, South Africa, Spain, Sri Lanka, Sweden, Taipei, Thailand, United Kingdom, United States of America and Vietnam.

REIT regimes in Asia Pacific

	Hong Kong (REIT)	Singapore (SREIT)	Australia	Japan (JREIT)	South Korea (General REIT, CR-REIT, Entrusted Management REIT)	Philippines
Conversion into REIT status	No special transition regulations.	N/A	N/A	No special transition regulations	No special transition regulations	N/A
Registration duties	• Progressive rate of stamp duty up to a maximum of 8.5 percent on higher of transfer consideration or market value of Hong Kong real estate (the 8.5 percent rate is currently subject to ratification by the Legislative Council. If ratification does not happen, the maximum rate will revert to 4.25 percent with retrospective effect). • 0.2 percent stamp duty on higher of transfer consideration and market value of shares in Hong Kong SPVs payable by the transferor and transferee at 0.1 percent each.	• No capital duty • Stamp duty (3 percent) on the acquisition of Singapore properties. SREITs may apply for a remission from stamp duty for acquisitions made on or before 31 March 2015.[11] • SREITs need to register for GST if their rental income from Singapore non-residential properties in a 12-month period exceeds USD1 million. • Self-accounting of GST by SREITs on the acquisition of Singapore non-residential properties from GST-registered suppliers.	• No capital duty • Stamp duty: i. transfer of land in Australia at rates of up to 6.75 percent ; and ii. 0.6 percent for transfer of shares and units transfers of shares in certain land rich entities subject to rates of up to 6.75 percent on the value of the land held.	• Registration tax on the transfer of real estate: – Generally 2 percent (for transfer of land by sale and purchase, 1.5 percent through 31 March 2015) of the taxable base. If a JREIT satisfies certain conditions, the rate of registration tax is reduced to 1.3 percent through 31 March, 2015 (this special rate reduction does not apply to warehouses and land underlying warehouses) • Real estate acquisition tax: – 4 percent (3 percent for land and residential buildings through 31 March 2015) on the taxable base. If a JREIT satisfies the certain conditions, the taxable base of the real estate acquisition tax is reduced to 2/5 of the taxable base through 31 March, 2015 (this special reduction does not apply to warehouses and land underlying warehouses)	• Generally, 0.48 percent capital registration tax (including surtax) on the par value of the shares issued upon incorporation and on the par value of the shares issued in subsequent capital increases. • 4.6 percent acquisition tax if purchased by ordinary company; 30 percent reduction on acquisition tax for all types of REITs if real estate in Korea is purchased by 31 December 2014.	• As mentioned above, the REIT must be registered with the SEC and listed with the stock exchange. • The REIT must also register with other government agencies such as the Bureau of Internal Revenue, local government unit, and social security agencies. • On stamp duty: i. The transfer of real property to a REIT is subject to documentary stamp tax (DST) of PHP7.50 for every PHP1,000 of the consideration or value of the transferred property ii. The transfer of shares of stock representing interest in real property is subject to DST of PHP0.375 on each PHP200, or fractional part thereof, of the par value of the shares. iii. The DST on the assignment of mortgage or pledge is based on the outstanding balance of the original loan at the time of the assignment, at the following rate: a. PHP10.00 when the amount secured does not exceed PHP5,000 b. an additional tax of PHP5.00 on each PHP5,000 in excess of PHP5,000

11. The stamp duty remission was extended in the 2010 Budget for property acquisitions on or before 31 Mar 2015.

Tax at shareholders' level
Domestic corporate shareholders

	Hong Kong (REIT)	Singapore (SREIT)	Australia	Japan (JREIT)	South Korea (General REIT, CR-REIT, Entrusted Management REIT)	Philippines
Dividends	Not subject to Hong Kong tax.	Subject to Singapore income tax at the current corporate tax rate of 17 percent .	Subject to corporate tax rate of 30 percent for taxable portion of trust distributions.	• Dividend aggregated with other income is subject to tax at an effective rate of approximately 39 percent (reduced to 37 percent for fiscal years beginning from 1 April 2015). • Does not qualify for the dividend-received exclusion.	Subject to corporate income tax of 11 percent (including surtax) for taxable income up to KRW200 million, 22 percent for taxable income between KRW200 million and KRW20 billion and 24.2 percent for the excess.	Exempt from dividends tax
Capital gains on disposal of shares	Not taxable unless on revenue account and arising from trade, profession or business carried on in Hong Kong.	Not taxable unless they arise or are connected with activities of a trade or business carried on in Singapore.	Taxed at corporate tax rate of 30 percent.	• Taxed at an effective rate of approximately 39 percent (reduced to 37 percent for fiscal years beginning from 1 April 2015) which is paid by filing a tax return? • There is no withholding tax.	Subject to corporate income tax of 11 percent (including surtax) for taxable income up to KRW200 million, 22 percent for taxable income between KRW200 million and KRW20 billion and 24.2 percent for the excess.	Gains from sale, barter, exchange or other disposition of investor securities outside the local stock exchange are subject to capital gains tax at the following rates: i. 5 percent – not over PHP100,000 ii. 10 percent – amount in excess of PHP100,000
Return of capital distribution	Not subject to Hong Kong tax	Not taxable	Only taxable to the extent that it exceeds the cost base of the unit holder's investment.	A portion of return of capital may be regarded as a deemed dividend or a deemed capital gain.	Only taxable to the extent that the amount returned exceeds the amount contributed.	Amount in excess of the capital contribution shall be taxable.
Income from foreign investments	Not subject to Hong Kong tax	• Subject to the approval of the Inland Revenue Authority of Singapore, such income may be exempt from Singapore income tax at the trustee level upon meeting certain conditions. • Distributions out of such exempt income are also exempt in the hands of the unit holder	Same treatment as domestic investment above.	Subject to the same tax treatment as described under 'Dividends' above.	Same treatment as ordinary dividends above.	Generally considered part of ordinary income subject to 30 percent income tax.

Tax at shareholders' level
Domestic individual shareholders

	Hong Kong (REIT)	Singapore (SREIT)	Australia	Japan (JREIT)	South Korea (General REIT, CR-REIT, Entrusted Management REIT)	Philippines
Dividends	Not subject to Hong Kong tax.	• Individuals who hold units as investment assets are exempt from Singapore income tax unless these are received through a Singapore partnership. • Individuals who hold units as trading assets are subject to Singapore income tax at their respective tax rates.	On a progressive basis, up to 46.5 percent on share of the trust's net income for an income year.	• For investors in listed JREITs who own less than 3 percent of the issued investment units – subject to withholding income tax of 10.147 percent until 31 December, 2013 and 20.315 percent until 31 December 2037 (and 20 percent thereafter). – From January 1 2014 up through December 31 2023, individuals will be allowed to contribute up to JPY1 million per year of listed stock into a non-taxable individual savings account ('ISA'). – Dividends received on stock held in the ISA are not subject to income tax or inhabitant's tax for a period of five years from January 1 of the year in which the account is established. • Investors who own 3 percent or more of the issued investment units are subject to withholding income tax of 20.42 percent until 31 December 2037 and 20 percent thereafter. • Withholding tax may be a final tax; otherwise, also included in ordinary taxable income and subject to income tax at progressive tax rates of up to 55 percent or flat tax at 10.147 percent until 31 December 2013 and 20.315 percent until 31 December 2037 (and 20 percent thereafter).	Subject to 15.4 percent tax rate if the aggregate interest and dividend income is below KRW20 million in the calendar year, otherwise the shareholder is subject to the ordinary individual income tax rates (6.6 percent ~41.8 percent including surtax).	• Subject to 10 percent final tax. • Dividends received by an Overseas Filipino Investor are exempt from the dividends tax for seven years from the effectivity of the REIT Act.

Tax at shareholders' level

Domestic individual shareholders

	Hong Kong (REIT)	Singapore (SREIT)	Australia	Japan (JREIT)	South Korea (General REIT, CR-REIT, Entrusted Management REIT)	Philippines
Capital/ revenue gains on disposal of shares	Not taxable unless on revenue account and arise from trade, profession or business carried on in Hong Kong.	Not taxable unless they arise or are connected with activities of a trade or business carried on in Singapore.	• Taxed on a progressive basis up to 46.5 percent . • Entitled to 50 percent discount on capital gains (including deemed capital gains under proposed new capital rules) if held for more than 12 months.	• Subject to taxation separately from other income, to which progressive income tax rates apply, at 10.147 percent until December 31 2013 for units of listed JREITs transferred through a securities dealer; and at 20.315 percent until 31 December 2037 (and 20 percent thereafter). • From January 1 2014 up through December 31 2023, individuals will be allowed to contribute up to JPY1 million per year of listed stock into a non-taxable individual savings account ('ISA'). Capital gain on stock held in the ISA is not subject to income tax or inhabitant's tax for a period of 5 years from 1 January of the year in which the account is established. • 20.315 percent tax (20 percent after 31 December 2037) for units in unlisted JREITs	• Disposal of listed shares: i. Minor shareholder[12]: Subject to 22 percent (including surtax) capital gain tax (exempt if share transfer made through the Korean Stock Exchange) ii. Major shareholder: Subject to 22 percent (including surtax) capital gain tax (33 percent if the shares are sold within one year form the acquisition date) • Disposal of non-listed shares: i. Minor shareholder: Subject to 22 percent (including surtax) capital gain tax ii. Major shareholder: Subject to 22 percent (including surtax) capital gain tax (33 percent if the shares are sold within one year form the acquisition date)	Gains from sale, barter, exchange or other disposition of investor securities outside the local stock exchange are subject to capital gains tax at the following rates: i. 5 percent – not over PHP100,000 ii. 10 percent – amount in excess of PHP100,000
Income from foreign investments	Not subject to Hong Kong tax	• Subject to the approval of the Inland Revenue Authority of Singapore, such income may be exempt from Singapore income tax at the trustee level upon meeting certain conditions. • Distributions out of such exempt income are also exempt in the hands of the unit holder	• Taxed at progressive personal income tax rates up to 46.5 percent . • May be entitled to foreign tax credits for withholding taxes paid in foreign jurisdiction.	• Subject to the same tax treatment as described under 'Dividends' above • Withholding tax amount on dividend described above may be reduced by the foreign tax suffered by JREITs, which is attributable to the unit holder.	Same treatment as for ordinary dividends if such income is distributed as a dividend.	Subject to the graduated income tax rates ranging from 5 percent to 32 percent .

12. A shareholder including related parties owns less than 2% of listed REIT shares, and fair market value of shares owned by the shareholder including related parties is less than KRW5 billion

Tax at shareholders' level

Foreign shareholders

	Hong Kong (REIT)	Singapore (SREIT)	Australia	Japan (JREIT)	South Korea (General REIT, CR-REIT, Entrusted Management REIT)	Philippines
Dividends	Not subject to Hong Kong tax	• Subject to meeting qualifying conditions, foreign non-individual unit holders are subject to withholding tax at 10 percent for distributions receivable on or before 31 Mar 2015[13]. This withholding tax is a final tax • For foreign individual unit holders, the distributions are exempt from tax, unless they are derived through a partnership in Singapore • Distributions made out of capital gains (except trading gains) are exempt from tax	Taxation of trust distributions will depend on components of the income of the trust. • Subject to 10 percent withholding tax on interest and 30 percent on unfranked company dividends. • No withholding tax applies to company dividends to the extent they are franked. • Dividends to foreign-owned Australian branches and conduit foreign income, subject to reduction under double tax treaty. No further tax is generally levied on such interest or dividend portion • Trustee must withhold tax with respect to non- interest and non-dividend Australian sourced income distributed to foreign unit holders (with the exception of a capital gain in respect of a non-taxable Australian asset, which will be exempt). The rate of withholding tax depends on whether the trust is an MIT (refer above). • For non-MITs, tax of 30 percent is withheld by the trustee from distributions to non-resident companies (except for Australian branches). Foreign unit holders taxed on assessment basis on the non-dividend/interest income (i.e. must file an Australian income tax return) and receive a credit for tax paid by trustee. To the extent that foreign unit holders have deductible expenses that relate to their units (e.g. interest), unit holders can obtain a refund of tax withheld by trustee following lodgment of tax return. • For an MIT, final tax of 30 percent is withheld from distributions to investors in countries, which have not concluded an agreement with Australia on exchange of tax information[14]. Other investors are subject to reduced 15 percent final withholding tax.	• Subject to a 7.147 percent withholding tax until 31 December 2013, and 15.315 percent until 31 December 2037 (and 15 percent thereafter). • Individuals who own three percent or more of the issued investment unit are subject to 20.42 percent withholding tax until 31 December 2037 and 20 percent thereafter. • For unlisted JREITs, subject to 20.42 percent withholding tax until 31 December 2037 and 20 percent thereafter. • An applicable treaty may reduce tax rate.	• The Korean domestic withholding tax rate for dividends to a foreign shareholder is 22 percent , including resident surtax. • Subject to reduction based on applicable tax treaties.	• In general, cash or property dividends paid by a REIT are subject to a final withholding tax of 10 percent . • Non-resident alien individual stockholders or non-resident foreign corporate stockholders may claim a preferential withholding rate pursuant to an applicable tax treaty. • Resident foreign corporations are exempt from dividends tax.

13. The concessionary WHT of 10% was extended in the 2010 Budget for distributions made to 31 Mar 2015
14. The 37 countries with which Australia has an effective EOI on tax matters are: Argentina, Bermuda, Canada, China, Czech Republic, Denmark, Fiji, Finland, France, Germany, Hungary, India, Indonesia, Ireland, Italy, Japan, Kiribati, Malta, Mexico, Netherlands, Netherlands Antilles, New Zealand, Norway, Papua New Guinea, Poland, Romania, Russia, Slovakia, South Africa, Spain, Sri Lanka, Sweden, Taipei, Thailand, United Kingdom, United States of America and Vietnam.

Tax at shareholders' level
Foreign shareholders

	Hong Kong (REIT)	Singapore (SREIT)	Australia	Japan (JREIT)	South Korea (General REIT, CR-REIT, Entrusted Management REIT)	Philippines
Capital/ revenue gains on disposal of shares	Not taxable unless on revenue account and arise from trade, profession or business carried on in Hong Kong	Not taxable unless they arise or are connected with activities of a trade or business carried on in Singapore	• Disposal of units in trust not subject to Australian capital gains tax if the trust's assets consist mainly of non-Australian assets. • Non-residents are liable to capital gains tax only on Australian real property held directly or indirectly through an interposed entity • Individuals and trusts may qualify for the 50 percent CGT discount concession.	• Not subject to capital gains tax provided that the unit holder does not own more than 5 percent of the units in a public JREITs at the last day of the fiscal period immediately prior to the fiscal period in which the transfer of the JREITs units takes place. • The above rates may be reduced by an applicable treaty.	• In the case of corporate foreign shareholders, capital gains are subject to tax at the lesser of 11 percent of the transfer price or 22 percent of the gain realized on the transfer. However, in the case of shares in a non-listed real property company (i.e. REIT), the foreign investor needs to file and ultimately pay tax at ordinary corporate income tax rate (11 percent, 22 percent, 24.2 percent) on gain realized. • Subject to change based on applicable tax treaty • Exempt from tax if: i. the foreign seller which does not have a permanent establishment in Korea owns less than 25 percent of the shares in the publicly listed entity at any time during the last five years and in the year when the shares are officially transferred; and ii. Such share transfer is made on the Korean Stock Exchange.	• Gains from sale, barter, exchange or other disposition of investor securities outside the local stock exchange are subject to capital gains tax at the following rates: i. 5 percent – not over PHP100,000 ii. 10 percent – amount in excess of PHP100,000
Return of capital distribution	Not subject to Hong Kong tax	Not subject to tax	Taxable to extent return exceeds cost base.	A portion of return of capital may be regarded as deemed dividend or deemed capital gain.	Only taxable to the extent that the amount returned exceeds the amount contributed.	Amount in excess of the capital contribution shall be taxable; may avail of preferential tax treatment provided by a tax treaty, if applicable.
Income from foreign investments	Not subject to Hong Kong tax	• Subject to the approval of the Inland Revenue Authority of Singapore, such income may be exempt from Singapore income tax at the trustee level upon meeting certain conditions • Distributions out of such exempt income are also exempt in the hands of the unit holder	Not taxed if distributed income is foreign sourced	• Subject to the same tax treatment as described under 'Dividends' above • Withholding tax on dividend described above may be reduced by the foreign tax suffered by JREITs, which is attributable to the unit holder.		Foreign Individuals and corporations are not taxable on income from sources outside the Philippines.

REIT regimes in Americas

REIT regimes in Americas

	US (REIT)	Canada (REIT)	Brazil (FII)
Year Enacted	1960	2007	• 1993
Governed by or under supervision	By the US, Internal Revenue Code and the Treasury regulations promulgated there under.	By the federal Income Tax Act (the 'ITA').	• By Federal Law n. 8,668/1993 and CVM Instructive n.472/2008, among other relevant federal legislation.
Formalities and procedure	• An entity electing to be taxed as a REIT must satisfy specific organizational, asset holding, income source and distribution requirements. • It must elect to be taxed as a REIT or has made such election for a previous taxable year. • A REIT must adopt a calendar year as its tax year.	• A REIT is typically structured to qualify as a mutual fund trust (a 'MFT') as defined in the ITA. • If a trust qualifies as a MFT before the 91st day after the end of its first taxation year and elects in its tax return for that year, the trust will be deemed a MFT from the beginning of its first taxation year. • An MFT must have a tax year ending 31 December or 15 December by election.	• The legal form of a "trust" is not provided in Brazilian legislation. • However, there is a similar figure of a trust, which is a closed held real estate investment fund (Fundo de Investimento Imobiliário – FII), regulated by CVM (security commission). • The applicable legislation requires that a duly authorized entity is appointed as the administrator of the FII. This administrator has to be registered before the CVM. • In most cases, financial institutions and non-financial institutions play a similar role.
Legal form and share capital	• Any US entity eligible to be treated as a domestic corporation under US law (e.g. a US limited liability company, etc.). • Transferable shares or transferable certificates of ownership must evidence the beneficial ownership. • One or more trustees or directors must manage the entity.	• An inter vivos trust created by written agreement typically called a 'trust deed' or 'declaration of trust'. • The interest of each beneficiary under the trust is described by reference to units of the trust. • Trustees hold legal title to and manage the trust property for the benefit of the beneficiaries of the trust. • A MFT must be a 'unit trust' resident in Canada (e.g. majority of trustees who exercise management and control of the trust are resident in Canada). • A 'unit trust' may be 'open-ended' (at least 95 percent of the fair market value of issued units of the trust are redeemable on demand) or 'closed-ended.'	• FII´s are not considered legal entities in Brazil. • Legally, FII´s are condominiums whereby investors get together, form a pool, and invest in real estate assets, such as real property, shares of real estate companies and bonds and securities issued by real estate companies. • FII must be set up as a closed-held fund and its units are not redeemable. However, they are amortizable upon the end of the fund or if approved by investors in accordance with the FII regulation (resemble articles of associations).
Restriction on shareholdings	• After the initial REIT year, a REIT must have a minimum 100 direct shareholders for at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. • After the initial REIT year, a REIT must not have more than 50 percent of the value of its outstanding shares owned directly or indirectly by five or fewer individuals during the last half of a taxable year.	• A MFT must have a minimum 150 unit holders each of whom holds: i. not less than one 'block of units' (e.g. 100 units if the fair market value of 1 unit is less than CAD25) and ii. units having an aggregate fair market value of not less than CAD500 • A MFT cannot be established or maintained primarily for the benefit of non-residents of Canada if 'taxable Canadian property' represented more than 10 percent of the fair market value of the trust property.	• FII will be deemed as a legal entity (and taxable) in cases where the FII invests in real estate projects where the constructor, developer, or partner is also a quotaholder in the FII and where they own, individually or along with related parties, more than 25 percent of the FII quotas.
Mandatory listing on stock exchange	None	• Mandatory listing of units on Canadian stock exchange if the 'unit trust' is 'closed ended' and 80 percent or more of its property was Canadian real property. • To qualify as a MFT, a class of units of the trust must be 'qualified for distribution,' there must be a lawful distribution of the units to the public and a prospectus or similar document is not required to be filed under provincial law.	• Listing is optional. FII may or may not be listed on the stock exchange or OTC markets.

REIT regimes in Americas

	US (REIT)	Canada (REIT)	Brazil (FII)
Restrictions on activities and investments	At the end of each calendar quarter: • At least 75 percent of the value of a REIT's total assets must be in real estate assets, cash and cash items and government securities. • Not more than 25 percent of the value of the REIT's total assets can be represented by securities of taxable REIT subsidiaries. • Any other securities of an issuer held by the REIT must not represent more than 5 percent of the value of the REIT's total assets and must not represent more than 10 percent of the outstanding securities of such issuer (by value or vote). • For each taxable year: • At least 75 percent of the REIT's gross income must be derived from rents from real property, interest on mortgages on real property, gain on disposition of real property, etc. • At least 95 percent of the REIT's gross income must be derived from the sources mentioned above and passive sources, such as non-mortgage interest and dividends. • Other considerations include: • Taxable REIT subsidiaries[15] ('TRSs') cannot operate or manage lodging or healthcare facilities (except under certain circumstances). • A REIT can develop properties for its own portfolio but is subject to a 100 percent tax on gains from dispositions of inventory or properties held primarily for sales to customers in the ordinary course of its business with the exceptions of foreclosure property and property meeting certain safe harbor rules. • A REIT can invest in overseas properties. • Rents from real property do not include: i. amounts attributable to personal property leased in connection with leasing of real property unless the value of personal property does not exceed 15 percent; ii. amounts based on income or profits of any person from the property (except being based on a fixed percentage or percentages of receipts or sales); and iii. amounts from a tenant, which is owned, directly or indirectly, 10 percent or more by the REIT (except certain leases with a TRS).	A trust resident in Canada throughout a taxation year is a REIT if: • at each time in the taxation year the fair market value at the time of all 'non-portfolio properties'[16] that are 'qualified REIT properties'[17] held by the trust is at least 90 percent of the total fair market value at that time of all 'non-portfolio properties' held by the trust; • not less than 90 percent of the trust's 'gross REIT revenue'[18] for the taxation year is from: i. rent from real or immovable properties; ii. interest from mortgages, or hypothecs, on real or immovable properties; iii. dispositions of real or immovable properties that are capital properties; iv. dividends; v. royalties; and vi. dispositions of 'eligible resale properties.'[19] • not less than 75 percent of the trust's gross REIT revenue for the taxation year is from: i. rent from real or immovable properties; ii. interest from mortgages, or hypothecs, on real or immovable properties; and iii. dispositions of real or immovable properties that are capital properties. • at each time in the taxation year, the total fair market value of all properties held by the trust, each of which is a real or immovable property that is capital property, an 'eligible resale property', a bankers' acceptance of a Canadian corporation, cash, certain deposits with a Canadian financial institution, or certain government debt, must be at least 75 percent or more of the trust's equity value at that time; and • investments in the trust are listed or traded on a stock exchange or other public market at any time in a taxation year. • To qualify as an MFT, the trust's only undertaking must be: • The investing of its funds in property other than real property or an interest in real property. • The acquiring, holding, maintaining, improving, leasing or managing of any real property that is capital property of the trust. • Any combination of the foregoing activities.	• It is mandatory that a FII only hold assets on real estate activities. • As mentioned, such assets may be: – Shares of special purpose real estate companies; – Real estate property; – Bonds, securities and other financial instruments issued exclusively by real estate companies; and – Units of other FII. • Financial income earned by the FII will be subject to regular taxation if an FII holds financial instruments that are not issued by real estate companies (such as bonds and securities).

15. Taxable REIT Subsidiaries are corporate subsidiaries of the REIT that have made a joint election with the REIT to be treated as such. TRSs are subject to corporate income tax on its earnings and are generally formed for the purposes allowing services to be performed to REIT tenants and others without disqualifying the rents that the REIT itself receives from the tenants. A REIT may also derive rents from its TRSs for leasing qualified lodging and healthcare facilities if eligible independent contractors operate such facilities.
16. Non-portfolio property includes, in general, i) securities of Canadian corporations, trusts and partnerships (the 'subject entities') (other than securities of subject entities that do not hold non-portfolio property) where the securities represent more than 10 percent of the equity value of the subject entities or the securities of the subject entities and the securities of all the entities affiliated with the subject entities have a total fair market value greater than 50 percent of the equity value of the trust; ii) Canadian real property if the total fair market value of all such properties held by the trust exceeds 50 percent of the equity value of the trust; and iii) a property that the trust, or a person with whom the trust does not deal at arm's length, uses in the course of carrying on business in Canada.
17. Qualified REIT property includes (i) a real or immovable property that is capital property, an eligible resale property, an indebtedness of a Canadian corporation represented by a bankers' acceptance, a property described by paragraph (a) or (b) of the definition 'qualified investment' in section 204 or a deposit with a credit union; (ii) a security of a subject entity that earns substantially all of its revenue from maintaining, improving, leasing or managing capital properties (including co-owned properties) of the trust or of an entity of which the trust holds a share or interest; (iii) a security of a subject entity that holds no property other than legal title to real or immovable property of the trust or an entity of which the trust holds a share or interest and property described in paragraph (iv); or (iv) property ancillary to the earning of gross REIT revenue by the trust from (a) rent from real or immovable property and (b) the dispositions of real or immovable properties that are capital properties, but does not include equity of another entity or a mortgage, hypothecary claim, mezzanine loan or similar obligation.
18. Gross REIT revenue means the amount by which the total of all amounts received or receivable (depending on the accounting method regularly followed by the entity in computing the entity's income) in the taxation year by the entity exceeds the total amounts of the costs of the property disposed of in the year. These amounts do not include recaptured depreciation.
19. Eligible resale property is real or immovable property that is (i) not capital property; (ii) held by an entity in which the REIT holds a security; (iii) contiguous to a particular real or immovable property that is capital property or eligible resale property held by the entity or of another entity affiliated with the entity; and is (iii) ancillary to the holding of that particular property.

REIT regimes in Americas

	US (REIT)	Canada (REIT)	Brazil (FII)
Restrictions on activities and investments (cont.)	• Complex rules restrict tenant services provided by the REIT to customary property management activities related to the use of space for occupancy only, provided such services are not rendered primarily for the convenience of the tenant. Other services or activities need to be performed through a qualified independent contractor from whom the REIT itself does not derive or receive any income, or through a TRS.	• In addition, for a 'closed-ended' unit trust, at least 80 percent of the trust's property must consist of any combination of shares, cash, bonds, debentures, mortgages, notes or similar obligations, marketable securities, real property situated in Canada and certain Canadian natural resource properties; not less than 95 percent of its income must be derived from the above-mentioned property; and not more than 10 percent of its property may consist of bonds, securities or shares of one corporation or debtor (other than a federal, provincial or municipal government) • A REIT is permitted to hold 'eligible resale property'. Limited real property development activity for resale is therefore permitted. • 'Gross REIT revenue' received or receivable by a parent entity from certain source entities is treated as having the same character as the 'gross REIT revenue' of the source entity from which it was derived. This revenue characterization rule is intended to help a REIT satisfy its qualifying revenue requirements. • 'Gross REIT revenue' from certain interest rate hedging activities and from certain changes in the value of foreign currency carry the character of the gross REIT revenue of the underlying real or immovable property from which such amounts are derived.	
Leverage	Not limited by legislation, but tax authorities may impose limits on amount of related party leverage.	Not limited by legislation, but often by the constating document.	• Units in the FII must be fully paid-in, i.e., it is not possible for "quotaholders" to invest in a FII through debt.
Distribution on operative income	• A REIT must distribute an amount (excluding capital gain dividend) equal to at least 90 percent of its taxable income other than net capital gain. Any undistributed amount (including net capital gain) is taxed at the entity level at ordinary US corporate tax rates (generally 35 percent). • For this purpose, a distribution must be: i. pro rata among all outstanding shares of stock within a particular class, and ii. in accordance with the preferences among different classes of stock as set forth in our organizational documents.	An MFT that is not a Specified Investment Flow Through (SIFT) trust must distribute 100 percent of its taxable income for a taxation year so that it does not incur tax. A trust that is a REIT throughout a particular taxation year is not a SIFT trust and therefore not subject to SIFT tax for that particular year.	• FII must distribute at least 95 percent of its net income, calculated on a cash basis, twice a year (June and December).
Distribution in respect to capital gain resulting from disposed investments	• Dividends in respect of capital gains are designated as 'capital gain dividends' by the REIT • If a REIT retains, rather than distributes, it is net capital gain and pays tax on such gain, its shareholders may include their proportionate shares of such undistributed gain in income, receive a corresponding credit for their share of the tax paid by the REIT and increase their adjusted basis of their stock by the difference.	An MFT that is not a SIFT trust must distribute 100 percent of its taxable income for a taxation year so that it does not incur tax. A trust that is a REIT throughout a particular taxation year is not a SIFT trust and therefore not subject to SIFT tax for that particular year.	• Same as above.

REIT regimes in Americas

	US (REIT)	Canada (REIT)	Brazil (FII)
Timing of distribution	• A REIT must generally make distributions in the tax year to which they relate, or in the following tax year if declared before the REIT timely files its tax return for the year and if paid with or before the first regular dividend payment after such declaration. • Provided that the REIT obtains consent from some of its shareholders, it may elect at any time up to the filing of its tax return for a taxable year to declare a cashless consent dividend thereby allowing the REIT to satisfy its distribution requirement and generally avoid entity level tax without an actual cash distribution (subject to certain withholding requirements). • The REIT may be subject to a non-deductible 4 percent excise tax if it fails to make distributions annually meeting certain thresholds.	• Distributions must be paid or payable in the taxation year in order for the MFT to claim a deduction for the distributed amounts in computing taxable income for that particular year. Typically, distributions to unit holders are made monthly. • If enabled in its declaration of trust, a REIT may declare a cashless distribution (i.e. a unit distribution) thereby allowing the REIT to claim a deduction for the distributed amounts in computing taxable income for that particular year.	• Twice a year (June and December).
REIT-level income tax	• A REIT is taxed on any undistributed taxable income. • Subject to US alternative minimum tax. • A REIT's net income from sales or other dispositions of inventory or property held primarily for sale to customers in the ordinary course of business (other than foreclosure property or property meeting certain safe harbor rules) is subject to a 100 percent tax. • A REIT may be subject to tax in other circumstances, including non-arm's-length dealings with its taxable REIT subsidiaries, reliance on 'savings' provisions to preserve REIT status and certain operations of foreclosure property.	• A trust, including a REIT, is a taxpayer under the ITA and must compute taxable income each year and pay tax on any taxable income that is not distributed to unit holders for the year. • In computing taxable income, a trust may deduct income paid or payable to unit holders in the particular year. • A trust that is a SIFT trust may not deduct distributed non-portfolio earnings in computing taxation income. A trust that is a REIT throughout a particular taxation year is not a SIFT trust for that particular year. • In general, income distributed by the REIT to unit holders is considered other property income received from a trust[20]; however, trustees may designate the net taxable capital gains of the trust and/or taxable dividends received by the MFT to 'flow out' to resident unit holders as taxable capital gains and/or taxable dividends, respectively.	• Generally, FII´s are not considered legal entities and are not subject to CIT. • Dividends paid to the FII from the real estate companies are tax exempt. • Brazilian tax legislation allows companies to distribute dividends in the form of Interest on Net Equity (INE), which is tax deductible (34 percent), but subject to 15 percent withholdling tax (WHT) when transferred to the investor. However, INE paid to FII is not subject to WHT. • Financial income that is not derived from securities or bonds issued by real estate companies are taxed (34 percent rate).
REIT-level capital gains tax	Follows the same system as ordinary income.	• A REIT must include 50 percent of any capital gain ('taxable capital gain') realized in the year for purposes of computing taxable income and may offset the gain with any capital losses in the year or carried forward from previous years. • In computing taxable income, a REIT may deduct income, including net taxable capital gains, paid or payable to unit holders in the particular year. • The trustees may designate net taxable capital gains realized by the MFT to 'flow out' to unit holders as net taxable capital gains.	• Capital gains related to real estate investments are not taxed at the level of the FII.

20. The enactment of the SIFT rules in 2007 characterized non-portfolio earnings distributions by a SIFT as taxable dividends paid by a taxable Canadian corporation to the unit holders of the trust. These dividends received by unit holders resident in Canada are eligible for the enhanced dividend gross-up and the enhanced federal and provincial dividend tax credits available to an 'eligible dividend' as defined in subsection 89(1).

REIT regimes in Americas

	US (REIT)	Canada (REIT)	Brazil (FII)
Withholding tax	• No withholding tax on distribution to US shareholders. • Generally, 30 percent withholding tax rate applies to ordinary dividends to non-US shareholders unless a lower treaty rate applies. • Generally, 35 percent withholding tax rate applies on REIT capital gain distributions to non-US shareholders. • See 'Tax at Shareholders' Level – Foreign Shareholders' for details.	• No withholding tax on distributions made to residents of Canada. • 25 percent Canadian withholding tax applies on income paid to a unit holder that is non-resident of Canada, unless a lower tax treaty rate applies. • 15 percent Canadian withholding tax applies on amounts not otherwise subject to tax under the ITA paid to a unit holder that is non-resident of Canada by certain REITs. • See 'Tax at Shareholders' Level – Foreign Shareholders' for details	• In general, 20 percent of WHT is applied to income (except dividend and INE) distributed from the FII to Brazilian unit holders. • Fifteen percent of WHT is applicable to foreign residents who have invested in Brazil in accordance with the rules set forth by the National Monetary Council (2.689 resolution).
Conversion into REIT status	• Potentially subject to corporate-level tax on the 'built-in gain.' • This tax is due if company sells an asset within ten years, i.e. this tax is not applicable if the REIT holds the property for at least ten years • All the accumulated earnings and profits generated before it becomes a REIT must be distributed to the shareholders no later than the end of the REIT's first taxable year	Generally, no deemed or actual gain where a trust owning property commences to qualify as an REIT.	• This type of conversion does not exist. This investment vehicle should be set up as a FII, in full compliance with CVM (security commission) rules.
Registration duties	Most states apply transfer taxes on acquisitions of real estate. Further, some states impose transfer taxes on acquisition of a controlling interest in an entity owning real estate.	Some provinces and municipalities impose a transfer tax on the acquisition of real estate payable by the purchaser.	• Apart from audit, registration and other administrative fees, Real Estate Investment Funds that buy real estate property in Brazil are likely to incur real estate transfer tax (Imposto sobre a Transmissão de Bens Imóveis – ITBI) of 2 percent, based on the transaction price of the asset. • ITBI is not generally due in case of acquisitions of shares of real estate companies, acquisitions of MBS (mortgage backed securities), or other typical real estate types of securities (i.e. CRI, LCI, LH and quotas of FII)
State and local tax	• Many states follow the federal income tax treatment of REITs, but some do not. • Some states impose entity level taxes on REITs, including, for example, franchise taxes.	All provinces follow the federal income tax treatment of REITs.	• ITBI is a local (municipal) tax that might be charged if FII buys real property (as mentioned on "Registration Duties"). • IOF/Exchange is a federal financial transaction tax that can be triggered by the inflow or outflow of funds in Brazil by foreign investors. Currently, IOF is taxed at zero percent on foreign exchange transactions, which involves investment. Zero percent is also applicable to the distribution of funds.

Tax at shareholders' level
Domestic corporate shareholders

	US (REIT)	Canada (REIT)	Brazil (FII)
Ordinary dividends	• Distributions are considered to be dividends to the extent of the current and/or accumulated earnings and profits of the REIT • REIT dividends are not eligible for the dividends received deduction. • Subject to corporate income tax (up to 35 percent)	• Distributions of income of the REIT to unit holders resident in Canada are included in the income of unit holders as other property income and subject to the normal rules of taxation. • Trustees of a REIT may designate taxable dividends received from taxable Canadian corporations to 'flow out' to resident unit holders as taxable dividends received from taxable Canadian corporations • To the extent that the amounts are designated as taxable dividends received from taxable Canadian corporations, a deduction in computing taxable income will be available to unit holders that are corporations, refundable tax under the ITA may be payable by unit holders that are private corporations and additional refundable tax may be payable by Canadian-controlled private corporations	• Income distributions made by FII (ordinary income) are deemed as financial income and should be taxable as financial income by the corporate investors at 34 percent CIT (corporate income tax) rate. • If an FII invests in real estate companies, dividends distributed by such companies can flow directly to the FII quotaholders. In this case, such dividends will be exempted (since dividends are generally exempted). Please note that, in this case, such dividends will have been paid out of net income generated by the real estate cos. Income will be taxable under the applicable rules. • Similarly, if real estate companies that are invested by FII pay INE (interest on net equity) directly to the FII investors, such income will be taxable for the domestic corporate quotaholders. INE, in turn, should be a deductible expense for the real estate companies.
Capital gains distributions	• The shareholders treat a portion of a dividend designated as a capital gain dividend as gain from the sale or exchange of a capital asset held for more than a year. • Subject to corporate income tax (up to 35 percent), however, up to 20 percent of some capital gain distributions may be treated as ordinary income	• Trustees of a REIT may designate taxable capital gains earned by the REIT in the year to 'flow out' to unit holders as net taxable capital gains • To the extent that there is a designation by the trustees, the unit holders will include net taxable capital gains in income • The non-taxable portion of any net realized capital gains of the REIT that is paid or payable to unit holders will not be included in computing the unit holders' income nor will it reduce the adjusted cost base of the units	• Capital gains distributions are subject to 20 percent WHT. • When received by the Brazilian corporation, capital gains will be subject to 34 percent CIT (WHT can be used to offset the CIT).
Return of capital distribution	Taxable only to the extent that the distribution exceeds the current and/or accumulated earnings and profits of the REIT and the shareholder's tax basis in the REIT shares.	• Distributions by a REIT in excess of the total of: i. taxable income (including any net taxable capital gains); and ii. the non-taxable portion of any net realized capital gains will not be included in the unit holders' income (e.g. a return of capital distribution) • A return of capital distribution will instead reduce the adjusted cost base of the units to the unit holders • To the extent that the adjusted cost base of a unit is negative, the negative amount will be deemed to be a capital gain realized by the unit holder.	• The pure return of capital is not subject to taxation. • To the extent it exceeds the cost base, which gives rise to capital gains, then, the above rules apply
Disposal of REIT shares/units	Subject to corporate income tax (up to 35 percent).	Capital gain (or capital loss) is realized by unit holder to the extent that the net proceeds of disposition of the units exceed (or are less than) the adjusted cost base of such units.	• Disposal of the units held by a Brazilian investor is subject to 20 percent WHT on the gain. When received by the Brazilian corporation, capital gains will be subject to 34 percent CIT (WHT can be used to offset the CIT due).

Tax at shareholders' level
Domestic individual shareholders

	US (REIT)	Canada (REIT)	Brazil (FII)
Ordinary dividends	• A distribution out of current or accumulated earnings and profits of a REIT (not designated as a capital gain dividend) is taxed as ordinary income. • A portion of a REIT's ordinary dividend may be eligible for the reduced rate applicable to 'qualified dividend income' (e.g. attributable to dividends from certain 'C' corporations, such as a TRS, or previously taxed income). The remaining portion is subject to tax at graduated rates (top bracket at 35 percent or 39.6 percent depending on income level). • The Medicare contribution tax at 3.8 percent on net investment income may apply.	• Distributions of income of the REIT to unit holders resident in Canada included in the income of unit holders as trust income and subject to the normal rules of taxation. • Trustees of a REIT may designate taxable dividends received from taxable Canadian corporations to 'flow out' to resident unit holders as taxable dividends received from taxable Canadian corporations. • To the extent that the amounts are designated as taxable dividends received from taxable Canadian corporations, the gross-up and dividend tax credit provisions in the ITA will be applicable to unit holders who are individuals.	• Income distributions made by FII (ordinary income) are deemed as financial income and should be taxable at source at 20 percent income tax on the gain embedded in such distributions. • If an FII invests in real estate companies, dividends distributed by such companies can flow directly to the FII quotaholders. In this case, these dividends will be exempted (since dividends are generally exempted). Please note that, in this case, such dividends will have been paid out of net income generated by the real estate companies. Income will be taxable under the applicable and regular rules. • Similarly, in case real estate companies invested by FII pay INE (interest on net equity) directly to the FII individual investors, such income will be taxable at source at 15 percent w/h income tax.
Capital gains distributions	• The shareholders treat the portion of a dividend designated as a capital gain dividend as gain from the sale or exchange of a capital asset held for more than a year. It is taxed at maximum federal rate of 15 percent (or 20 percent for individual with income above a certain threshold). • The portion of a dividend attributable to recapture of previously claimed depreciation deductions is subject to 25 percent maximum federal income tax rate. • A capital gain dividend from a REIT (including an undistributed capital gain) is included in net investment income as net gain for purposes the Medicare contribution tax of 3.8 percent.	• Trustees of a REIT may designate taxable capital gains earned by the REIT in the year to 'flow out' to unit holders as net taxable capital gains. • To the extent that there is a designation by the trustees, the unit holders will include net taxable capital gains in income. • The non-taxable portion of any net realized capital gains of the REIT that is paid or payable to unit holders will not be included in computing the unit holders' income nor will it reduce the adjusted cost base of the units.	• Twenty percent WHT applied to gains distributed from the FII to Brazilian unit holders. • Brazilian individuals will not be subject to further taxation of this income. • Zero percent WHT may apply if the FII´s units are traded on the Brazilian Stock Exchange, if it has more than 50 unit holders and each of them does not own more than 10 percent of the funds units.
Return of capital distribution	Subject to tax as gain on shares, only to extent distribution exceeds current and/or accumulated earnings and profits of the REIT and shareholders tax basis in the REIT shares	• Distributions by a REIT in excess of the total of: i. taxable income (including any net taxable capital gains) and ii. the non-taxable portion of any net realized capital gains will not be included in the unit holders' income (e.g. a return of capital distribution). A return of capital distribution will instead reduce the adjusted cost base of the units to the unit holders • To the extent that the adjusted cost base of a unit is negative, the negative amount will be deemed a capital gain realized by the unit holder.	• Twenty percent WHT applied to return of capital (only the amount that exceeds the tax basis of the FII quotas). • Brazilian individuals will not be subject to further taxation of this income. • Zero percent WHT may apply if the FII´s units are traded on the Brazilian Stock Exchange, if it has more than 50 unit holders and each of them does not own more than 10 percent of the funds units.
Disposal of shares	• Long term capital gains (i.e. gains from sale of shares held more than one year) are generally subject to tax at maximum federal rate of 15 percent (or 20 percent for individual with income above a certain threshold). • Short-term gains on sales of shares held one year or less subject to ordinary income tax rates (maximum federal rate of 35 percent or 39.6 percent depending on income level).	Capital gain (or capital loss) is realized by unit holder to the extent that the net proceeds of disposition of the units exceed (or are less than) the adjusted cost base of such units.	• Disposal of the units held by a Brazilian investor is subject to 20 percent WHT on the gain. • The Brazilian individual will not be subject to further taxation on the income derived from disposal of shares.

Tax at shareholders' level

Foreign shareholders

	US (REIT)	Canada (REIT)	Brazil (FII)
Ordinary dividends	Withholding 30 percent tax, unless reduced under an applicable tax treaty.	25 percent withholding tax applies to distributions of income by the REIT to non-resident unit holders, unless a reduced tax treaty rate applies.	• Income distributions made by FII (ordinary income) are deemed as financial income and should be taxable at source at 15 percent w/h income tax on the gain embedded in such distributions. • Dividends paid by real estate companies owned by FII directly to FII foreign investors should be tax exempted. Note that such dividends will have been paid out of net income regularly taxable at the level of the real estate companies. Likewise, tax legislation allows companies to distribute dividends in the form of Interest on Net Equity (INE), which is tax deductible, but subject to 15 percent WHT when paid to the investor.
Capital gains distributions	• Capital gain distributions attributable to gains from sales or exchanges of US real property interests are generally subject to 35 percent withholding tax and related US tax filing obligations. However, such dividend is taxed as ordinary dividend, if the non-US shareholder never owns more than 5 percent in value of a class of REIT stock regularly traded on an established securities market located in the US, at any time during the one-year period ending on the distribution date. • Non-US corporate shareholders may also be subject to a 30 percent US branch profits tax with respect to capital gain distributions (the rate may be reduced by applicable treaty).	• Trustees of a REIT may designate taxable capital gains earned by the REIT in the year to 'flow out' to unit holders as net taxable capital gains. • This designation works to avoid the application of the 25 percent withholding tax to the extent that the non-resident is not deemed to have received a 'TCP distribution' from the REIT. • A non-resident unit holder may in general be deemed to have received a 'TCP distribution' from the REIT if the REIT has any gains from the disposal of 'taxable Canadian property' since March 23, 2004.	• Fifteen percent WHT applied to capital gains distributed from the FII to foreign residents that have invested in Brazil in accordance with the rules set forth by the National Monetary Council (2.689 resolution).
Return of capital distribution	• The distribution is not subject to cross-border withholding tax if either: i. the REIT is a 'domestically controlled qualified investment entity'[21] or ii. the REIT stock is regularly traded on an established securities market and the shareholder owns no more than 5 percent of the outstanding REIT shares during a specified testing period. • If the REIT does not fall into either of the exceptions described immediately above: i. A distribution in excess of the REIT's current and/or accumulated earnings and profits is subject to a 10 percent withholding tax. ii. If the distribution is not in excess of non-US shareholder's tax basis in the REIT shares, the non-US shareholder may either recover the US withholding tax by filing a US federal income tax return or apply to the IRS for a withholding certificate prior to the distribution to be exempt from withholding. The shareholder's tax basis in the REIT shares is reduced by such distributions. iii. Distributions in excess of the basis of the REIT shares are treated as gains from the disposition of the shares. See 'Disposal of shares' below.	• A non-resident unit holder that holds a 'Canadian property mutual fund investment' (CPMFI) and receives an 'assessable distribution' (including a distribution that is a return of capital) with respect to that investment is subject to withholding tax of 15 percent on the 'assessable distribution.' • A CPMFI, in general, includes a unit of a MFT that is listed on a prescribed stock exchange and more than 50 percent of the fair market value of which is attributable to real property in Canada. • Assessable distributions are in general distributions that are not otherwise subject to tax under the ITA.	• Fifteen percent WHT applied to return of capital (amount that exceeds units cost basis) distributed from the FII to foreign residents that have invested in Brazil in accordance with the rules set forth by the National Monetary Council (2.689 resolution).

21. A 'domestically-controlled qualified investment entity' includes a REIT, less than 50 percent of value of which is held directly or indirectly by non-U.S. holders at all times during a specified holding period.

Tax at shareholders' level
Foreign shareholders

	US (REIT)	Canada (REIT)	Brazil (FII)
Disposal of shares	With holding 10 percent tax (35 percent tax on gain) applies to sale proceeds unless: • The REIT is not considered a 'US real property holding corporation'[22]; • The REIT's shares are regularly traded on an established securities market and the shareholder owns no more than 5 percent of the outstanding shares during the specified testing period ending on the disposal date; or • The REIT is 'domestically controlled' during a specified testing period	• Generally not taxable under the ITA. • The gain is taxable in Canada if at any time during the 60-month period prior to the sale, the unit holder and/or non-arm's length persons, owned 25 percent or more of the units of the MFT. • Capital gain (or capital loss) is realized by unit holder to the extent that the net proceeds of disposition of the units exceed (or are less than) the adjusted cost base of such unit. If the units are 'capital property' to the unit holder, then only 50 percent of any gain will be taxed.	• Fifteen percent WHT applied to the capital gain, in case the foreign residents have invested in Brazil in accordance with the rules set forth by the National Monetary Council (2.689 resolution). • Zero percent WHT might apply if sale of FII´s unit is performed within the Brazilian Stock Exchange or OTC market (it may not apply in case the investor is located in a low tax jurisdiction).

22. A United States real property holding corporation is a corporation where the fair market value of the U.S. real property interests held by such corporation is at least 50 percent of the corporation's assets that comprise U.S. real property interests, non-U.S. real property interests and trade and business assets of the corporation at any time during the shorter of the period during which the stock was held by the taxpayer, or the 5-year period ending on the date of disposition of such stock by the taxpayer

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