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Real Estate

Insights on Real Estate Investment Trusts

A global overview of the REIT regimes

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Content

Introduction

The popularity of Real Estate Investment Trusts (REITs) and similar vehicles demonstrates the strong and still growing demand for tax efficient, liquid and transparent vehicles for investing in real estate. Countries are reacting to this demand and we have seen a number of new REIT regimes introduced over recent years, with India being a very significant recent entrant into the market — the Securities and Exchange Board of India (Sebi) firmed up regulations that will govern REITs in September 2014. This is expected to be a game changer for the Indian commercial real estate sector. Very significant is that with India's REIT regime being introduced only China remains without a REIT regime amongst the BRICS countries of Brazil, Russia, India, China and South Africa.

This document aims to summarize the key regulatory, tax and legal rules for the establishment and operation of REITs or their local equivalent in all of the major jurisdictions of the world that 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 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 as of 30 November 2014.

We hope you will find the information here of value.

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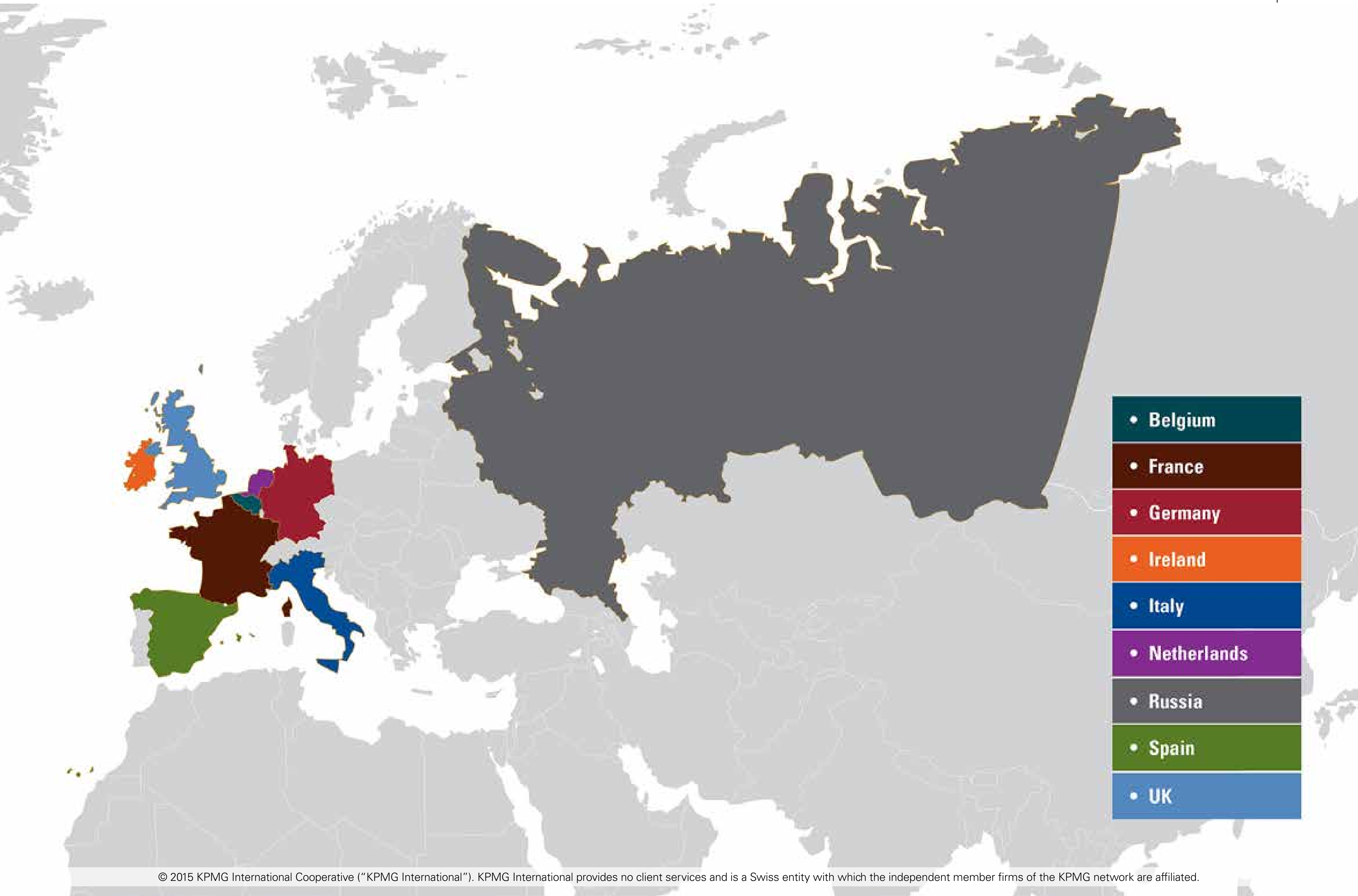
Europe


• Belgium
• France
• Germany
• Ireland
• Italy
• Netherlands
• Russia
• Spain
• UK

Europe

Description

Belgium	France	Germany	Ireland	Italy FII
Year Enacted				
1995 (detailed by the law of 20 July 2004).	2003	Applicable from 1 January 2007 onward.	2013	1994
Governed by or under supervision				
• Regulatory laws and tax laws. • Supervision by the Belgian Financial Services and Markets Authority (FSMA).	• Tax law • Governed by Autorité des Marchés Financiers (AMF)	Real Estate Investment Trust Act, supported by other tax regulations.	Tax law	• Governed by civil and tax law. • Under the supervision of the Bank of Italy and the country's securities and exchange commission, referred to by the acronym Consob.
Formalities and procedure				
• Registered on a list of all of Belgium's recognized investment institutions. • Obtain a license from the FSMA. • The articles of association must contain a number of specific provisions and be accepted by the FSMA. • Must appoint a trustee who is accepted by the FSMA.	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.	Comply with a number of detailed regulatory provisions combined with a respective application of registration as REIT joint stock corporation with the Commercial Register.	• Notify the Revenue Commissioners of decision to seek REIT status from a date on or after the conditions to be a REIT are met or are regarded as having been met. • REIT tax status applies only to a parent company and its 100 percent directly held subsidiaries that have elected into the regime.	• Comply with a number of detailed regulatory provisions which must be included in the bylaws of the fund. • The bylaws of the real estate investment fund, fondo di investimento immobiliare (FIIs), must be scrutinized and approved by the Bank of Italy. • Under certain circumstances, the filing of a prospectus may be needed.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Year Enacted				
2007	1969	2001	2009 with significant changes as of 1 January 2013	2007
Governed by or under supervision				
• Governed by tax law. • Under the supervision of the Bank of Italy and Consob.	• Tax regime. • Under the supervision of the Netherlands Authority for the Financial Markets (AFM).	By the Federal Law No. 156-FZ of 29 November 2001 and a number of resolutions of the Federal Financial Markets Service[1] (FFMS), in particular: • resolution No. 10-79/pz-n • decree No. 08-56/pz-n.	Tax law	Tax law
Formalities and procedure				
• 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.	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.	• REITs represent a separate property complex consisting of property owned by unit holders.[2] • Ownership of REIT assets is held jointly by the unit holders according to their proportionate investments, which are certified by the REIT securities (i.e. the REIT units). • Under Russian law, the property of the REIT is subject to an independent valuation at the time of its acquisition and also at least once a year (unless another frequency is not established by Russian Central Bank regulations). • Both Russian and foreign legal entities may hold units in the REIT. • The property underlying the REIT is managed and controlled by a specialized management company which is authorized under a trust agreement with each unit holder. The essential terms and conditions of the trust agreement are set by the management company in the trust management rules.	• 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.	• Provide notice to Her Majesty's Revenue and 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.

1. FFMS was abolished on 1 September 2013. Its functions were transferred to the Russian Central Bank.
2. This applies to REITs which are set up as trusts, not as corporate legal entities. Most of the REITs in Russia are set up as trusts due to tax-related benefits.

Europe

Belgium	France	Germany	Ireland	Italy FII
Legal form and share capital				
• Limited liability company or a partnership limited by shares governed by Belgian law. • Must be a resident of Belgium. • Minimum share capital is Euro (EUR) 1.2 million (which should be fully paid up).	• Entity listed on a French stock exchange or on a foreign stock exchange must comply 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). • Ninety-five percent subsidiaries of a SIIC and/or a new French real estate investment vehicle, SPPICAV, may elect for the SIIC regime.	• 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-Aktiengesellschaft (REIT-AG) is protected as part of the company's name.	• Resident in Ireland and not resident elsewhere. • Incorporated under the Irish Companies Acts. • Not a close company (subject to certain exceptions). An exemption from this test is allowed, provided it is satisfied within 3 years of electing to become a REIT. • No more than one class of ordinary share shall be issued.	• Formed as a closed-ended (in certain circumstances semi-closed ended) fund. The asset management company (società di gestione del risparmio (SGR) must be an Italian resident joint stock company, such as società per azioni (SpA). Unit holders are not allowed to sell their participation 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: i. a plurality of investors ii. existence of investment programs defined in advance iii. management of the fund independent from the investors.
Restriction on shareholdings				
• No restrictions for public REITs, known as SICAFIs. • The investors in institutional SICAFIs[3] need to be professional or institutional investors. • The institutional SICAFI needs to be exclusively or jointly controlled by a public SICAFI.	• 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 or more of the SIIC's share capital or voting rights (except if the shareholder is itself an SIIC).	• At least 25 percent of its shares must be 'widely held'[4] 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.	• Distributions paid to shareholders with 10 percent or more of share capital or beneficial entitlement to 10 percent or more of voting or dividend rights are taxable on the REIT at the higher rate of corporation tax (currently 25 percent). • Does not apply to distributions paid to certain exempt investors (e.g. retirement funds, life businesses, charities, Qualifying Investor Alternative Investment Funds, etc.).	• No restrictions. • Minimum of two investors required.

3. Institutional REITs are subsidiaries of public REITs. They have a specific legal regime and are subject to the (beneficial) REIT tax regime.
4. Widely held: no one shareholder holds three percent or more of the shares.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Legal form and share capital				
• Italian resident joint stock company (i.e. SpA). • Minimum share capital EUR40 million (in order to be admitted to the Italian stock exchange). • The listed real estate investment company, società di investimento immobiliare quotata (SIIQ), must be included as part of the company's name.	• Public limited (liability) company, known as naamloze vennootschap (NV), with minimum share capital EUR45,000. • Private company with limited liability, known as besloten vennootschap (BV), with minimum share capital EUR0.01. • A mutual fund, known as fonds voor gemene rekening (FGR). • Entities incorporated in other jurisdictions may be acceptable, provided that certain conditions are met.	• REITs may have two forms: – a legal entity (corporate form) – a trust which is a property complex owned jointly by unit holders. • In practice, REITs are usually created as trusts, not legal entities. The REIT includes property transferred for trust management by unit holders and also the property received during the trust management. • REITs may only be closed-ended, which means that units can be claimed for redemption at a specified time (or under specified circumstances).	• Stock company. • Minimum share capital required is EUR5 million. • The *Sociedad Cotizada de Inversión en el Mercado Inmobiliario, Sociedad Anónima* or SOCIMI, SA should be included as part of the company's name.	• 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 and it is possible for large stakes to be owned by defined institutional investors). • Not be party to a loan which is non-commercial or profit linked.
Restriction on shareholdings				
• 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.	• 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 (excluding a listed BI) or a BI that is, or has a manager that is, under supervision of the AFM.[5] • 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.	• REITs have a fixed capital. The number of investment units are specified in the rules. • The specialized depositary, the registrar, auditor and appraiser the management company signed the relevant agreements with in respect to the management of the REIT and its underlying assets may not be unit holders of the REIT. The management company also may not acquire investment shares of the fund that is in its fiduciary capacity, except in cases specified by law. The number of units owned by the management company may not exceed 10 percent of the total number of units issued.	No tax restrictions (although those legal restrictions for listing should be considered, if any).	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.

5. Different shareholders tests apply to a non-listed BI that is, or has a manager that is, not under supervision of the AFM. Then, an interest of 75 percent or more should be held by natural persons, entities which are not subject to tax or are tax exempt or directly or indirectly by listed BIs or BIs under supervision. Furthermore, a single natural person may not hold a substantial interest of 5 percent or more.

Europe

Belgium	France	Germany	Ireland	Italy FII
Restriction on shareholdings (contd...)				
	• 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 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.			
Mandatory listing on stock exchange				
• Mandatory listing on a Belgian stock exchange for the public SICAFIs. • Initial public offering (IPO) must include a 30 percent public offering. • Promoters must permanently ensure a free float of at least 30 percent.	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 in a public exchange in a member state of the European Union or the European Economic Area.	Must be listed on a main market of a recognized stock exchange in an EU member state. This test may be met provided it is satisfied within 3 years of electing to become a REIT.	Optional.
Restrictions on activities and investments				
• 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 (exceptions may be allowed at start up). • Developments are allowed but cannot be sold within 5 years of completion.	• 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.	• At least 75 percent of the REIT's assets must consist of real estate. If the REIT fails to comply, penalties of 1 to 3 percent of the difference between the actual property rate and the prescribed rate of 75 percent will be imposed.	• Derives at least 75 percent of its total income from its tax-exempt property rental business. • Must hold at least three properties. The market value of any one should not exceed 40 percent of the value of the properties of its tax-exempt property rental business. This may be met provided it is satisfied within 3 years of electing to become a REIT.	• 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

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Restriction on shareholdings (contd...)				
		• REITs may be formed as an 'ordinary' investment trust or the investment fund for qualified investors. The REIT for qualified investors is a more flexible tool in terms of the structure of its assets, investment criteria, etc.		
Mandatory listing on stock exchange				
SpA must be listed on a recognized European or 'white-listed' state stock exchange.	Optional.	Units of investment funds may be traded on the market (subject to certain restrictions), but it is not obligatory.	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.	Must be listed on a recognized stock exchange or on the Alternative Investment Market or similar foreign exchanges.
Restrictions on activities and investments				
• 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.	• 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.	• The requirements on the composition and structure of the assets of the REIT are determined in the rules, with due account of the restrictions established by law[6]. Assets which may constitute the property of the REIT should be listed in the investment declaration included in the rules.	• Eighty percent of the assets must be invested in: i urban real estate held for rental ii land for the developing of real estate in the following 3 years iii the acquisition of shares in other REITs or other similar qualifying entities.	• 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 of the properties. • Derive at least 75 percent of its total profits from its tax-exempt property leasing business.

6. Regulations on the Composition and Structure of the Assets of Incorporated Investment Funds and the Assets of Unit Investment Funds, approved by Order No. 10-79/pz-n of the RF Federal Service for Financial Markets 28 December 2010.

Europe

Belgium	France	Germany	Ireland	Italy FII
Restrictions on activities and investments (contd...)				
• 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.	• The tax exemption does not apply to other activities and to financial leasing (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.	• At least 75 percent of its gross revenues must be derived from the rental, lease or sale of real estate. If not met, penalties of 10 to 20 percent of the difference between the actual gross income derived from the rental, lease 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 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. • 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.	• At least 75 percent of the aggregate market value of assets held by the REIT must relate to the tax-exempt property rental business.	• 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.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Restrictions on activities and investments (contd...)				
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).	• A Dutch BI may, under certain conditions, perform ancillary activities (e.g. cleaning, catering, reception or meeting services) provided that these activities are performed by a taxable subsidiary.	• As a general rule, only the following assets may form a REIT: – cash (including in a foreign currency) on bank accounts and on deposits – real estate property and the leasehold rights to real estate property – property rights arising from agreements on participation in the shared construction of real estate properties – debt instruments – the units (shares) of Russian and foreign investment funds belonging to the category of real estate funds or rental funds – the units (shares) of foreign investment funds, if the classification of financial instrument code assigned to the specified units (shares) has the following values: the first letter has the value of E; the second letter has the value of U; the fifth letter has the value of R. • In addition to the above, REITs for qualified investors may include the following assets: – property rights related to the emergence of title to the real estate property after completing its construction arising from contracts, with respect to which the property developer or investor is a party – property rights arising from contracts serving as the basis for the construction of real estate properties on a land plot, which constitutes (or the right to lease this plot constitutes) an asset of the REIT	• Eighty 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-year 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.	• At least 75 percent of the total value of assets held by the REIT must be held for the tax-exempt property leasing 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 tax-exempt property rental business of the REIT.

Europe

Belgium	France	Germany	Ireland	Italy FII
Restrictions on activities and investments (contd...)				

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Restrictions on activities and investments (contd...)				
		– property rights arising from contracts serving as the basis for the reconstruction of real estate properties, which constitute the assets of the REIT – design and project documentation for construction (reconstruction) – the shares (equity stakes for limited liability companies) of Russian companies that design and build the real estate properties, in cases where over 50 percent of the placed shares (equity stakes for limited liability companies) of such companies constitute the assets of the REIT. • The asset structure of REIT should generally comply with the following requirements: – cash in deposit at one credit institution should amount to no more than 25 percent of the value of the assets – the appraised value of the real estate property and leasehold rights should amount to no less than 40 percent of the value of the net assets of at least two-thirds of business days during the calendar year – the estimated value of the units of the REIT and shares of joint-stock investment funds, as well as the shares (stock) of foreign investment funds may not exceed 20 percent of the value of assets – the number of units cannot exceed 30 percent of the number of issued investment shares of the fund		

Europe

Belgium	France	Germany	Ireland	Italy FII
Restrictions on activities and investments (contd...)				
Leverage				
• 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.	Unlimited. Thin cap rules and tax rules limiting the deductibility of interest charges, when applicable, may impact the distribution obligations.	The equity must amount to at least 45 percent of the fair market value of the real properties.	• An interest cover ratio of 1.25:1 should be maintained. Any excess paid, up to 20 percent of the income of the tax-exempt property rental business, shall be taxable on the REIT at the higher rate of corporation tax (currently 25 percent). • The debt of the REIT should not exceed 50 percent of the market value of the assets of the REIT.	Limited to 60 percent of the fiscal book value of real property and 20 percent of the value of other assets.
Distribution on operative income				
At least 80 percent of net profit as defined in the royal decree (e.g. excluding capital gains which are reinvested within 4 years).	• Ninety-five percent of the tax-exempt profit derived from leasing of real estate or subletting of real properties held through financial leases. • One hundred percent of dividends received from a subsidiary elected to be within the SIIC regime.	Ninety percent of distributable income calculated based on German generally accepted accounting principles (only straight line depreciation is allowable). If the REIT fails to comply, penalties of 20 percent to 30 percent of the difference will be imposed.	Eighty-five percent of the net income of the tax-exempt property rental business (calculated using normal tax rules) subject to the REIT having sufficient distributable reserves.	No obligation.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Restrictions on activities and investments (contd...)				
		– the estimated value of the securities of one issuer (investment fund) and the estimated value of Russian and foreign depository receipts on these securities may not exceed 15 percent of the value of assets. The requirements of this subparagraph with respect to restrictions on the securities of a single issuer does not apply to Russian and foreign depository receipts. • Less stringent requirements for the structure of the assets are established for REITs for qualified investors.		
Leverage				
• No compulsory limit is set up by law. • The SIIQ must determine its own leverage limit based on regulatory provisions.	Limited to 60 percent of fiscal book value of real property[7] and 20 percent of fiscal book value of all other investments.	Generally, REITs may only attract loans to redeem (exchange) units. However, this restriction does not apply to REITs for qualified investors. REITs for qualified investors can raise debt financing for operational and investment activities from entities classified as qualified investors under law.	No specific limitation is set out by law.	Tax charge on REIT if the interest cover is less than 1.25:1.
Distribution on operative income				
Eighty-five percent compulsory distribution of net profit deriving from the letting business (i.e. tax-exempt business).	One hundred percent of taxable profit (direct income).	The rules may provide for the payment of income (interim distributions) from the trust management of property constituting the REIT.	• Eighty 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). • One hundred 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.	Ninety percent of the rental profits of the tax-exempt business (calculated using normal tax rules).

7. Interest 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.

Europe

Belgium	France	Germany	Ireland	Italy FII
Distribution in respect to capital gain resulting from disposed investments				
Capital gains are not included in the 80 percent distribution obligation, provided the capital gains are reinvested within 4 years.	Sixty 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.	• At most, 50 percent of capital can be re-invested 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.	No requirement to distribute capital gains.	No obligation.
Timing of distribution				
Annually.	• 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.	No later than the end of the following fiscal year.	The distribution from the tax-exempt property rental business, subject to having sufficient distributable reserves, must be made on or before the corporation tax self-assessment filing date (approximately 8.5 months after year-end).	Not applicable.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Distribution in respect to capital gain resulting from disposed investments				
No obligation.	Capital gains/losses are allocated to a tax-free reserve and do not form part of the taxable profit/distribution obligation.		• Fifty 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.	No requirement to distribute the exempt gains. If gains are distributed, the distribution is subject to the deduction of basic rate income tax.
Timing of distribution				
Annually.	Within 8 months after the end of the financial year.	• Unit holders of the closed-ended REITs have the right to receive income from the REIT as interim distributions of the REIT's profit during the operation stage of the investment fund. • Procedure and terms for interim payments are determined in the rules. • Unit holders may also receive income from the sale of its units or redemption of its units. Units can be redeemed in the following cases: 1. at the request of the unit holder in specific cases stipulated in the law 2. at the termination of the REIT.	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.	Ninety percent of the profits of the tax-exempt business (calculated using normal tax rules) on or before corporate tax self-assessment filling date.

Europe

Belgium	France	Germany	Ireland	Italy FII
REIT-level income tax				
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').	• Eligible activities are exempt, subject to distributions obligations. • Non-eligible activities subject to corporate income tax at the standard rate of 33.33 percent (increased to 34.43 percent by surcharge plus potentially the 5 percent exceptional contribution, increased to 10.7 percent when turnover exceeds EUR250 million).	Exempt	• Profit arising from the tax-exempt property rental business is not subject to corporation tax. • Non-tax-exempt business is taxable in the ordinary manner at the applicable rate of corporation tax (currently the standard rate is 12.5 percent and the higher rate is 25 percent).	Not subject to corporate income tax, imposta sul reditto delle società (IRES) and to regional tax, imposta regionale sulle attività produttive (IRAP) on productive activities.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
REIT-level income tax				
• Income arising from the letting business (i.e. tax-exempt business) is not subject to tax. • Income arising from other businesses (i.e. table businesses) is taxable in the ordinary manner.	Income is taxed at a 0 percent rate.	• As the REIT is not a legal entity (applicable for REITs established as trusts), it is not recognized as a payer of the Russian profits tax with respect to all profits obtained by the REIT (including capital gains, dividends, operational income, etc.). • The profits obtained by the REIT are not taxable prior to the distribution of profits to unit holders. The management company is not recognized as the taxpayer or tax agent with respect to the profits tax on transactions with the REIT's property. • Transactions with the property of the REIT are subject to an 18 percent Russian value-added tax (VAT) in accordance with general provision of the tax law. As the REIT does not have the status of a legal entity, the management company assumes taxpayer obligations in respect of the VAT.	• 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). • For 2015, the income tax rate is reduced from 30 percent to 28 percent and from 1 January 2016 onwards, the income tax rate will be reduced to 25 percent, when the real estate has been sold before the 3-year minimum holding period has elapsed (this income tax 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-year holding period.	• 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 21 percent).

Europe

	Belgium	France	Germany	Ireland	Italy FII
REIT-level capital gains tax					
	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.	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.	Exempt	• Gains from the disposal of an asset of the tax-exempt property rental business are exempt. • Gains arising in the non-tax-exempt business are chargeable at the capital gains tax rate (currently 33 percent). • Gains arising on a transfer of assets from the tax-exempt property rental business to the non-tax-exempt business, or vice versa, are subject to capital gains tax. The asset is deemed to have been sold and re-acquired for the purposes of capital gains tax on the date on which the transfer takes place, at its market value.	Exempt.
Withholding tax					
	• Twenty-five percent dividend withholding tax, which may be reduced by relevant tax treaties. • Fifteen percent where a SICAFI's investments consist of at least 80 percent in Belgian residential property.	• A three percent contribution applying to any distribution drawn from tax exempt income and exceeding the minimum distribution obligations and on any distribution drawn from the taxable result (i.e. resulting from ancillary activities) except for distributions paid to other SIICs holding at least 95 percent of the share capital of the distributing company and distributions paid to a parent company incorporated within the form of a French OPCI having elected for the SIIC regime. • A 15 percent dividend withholding tax on dividends paid to a non-profitable entity resident in an EU member state, Iceland, Norway or Liechtenstein.	Twenty-five percent dividend withholding tax plus a solidarity surcharge of 1.375 percent.	• Basic rate income tax (currently 20 percent) deducted at source from distributions paid out of profits of the tax-exempt property rental business. This may be partially reclaimed under provisions of a tax treaty (most treaties cap tax liability at 15 percent). • Distributions paid out of profits of the non-tax-exempt business are subject to the normal withholding tax rules.	No withholding tax.

Europe

	Italy SIIQ	Netherlands	Russia	Spain	UK
REIT-level capital gains tax					
	Gains will be taxed in the ordinary manner.	Capital gains can be allocated to a tax-free capital gains reserve.		See above (same rules as for Income tax are applicable).	• 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 21 percent).
Withholding tax					
	No withholding tax is levied on distributions received from subsidiaries.	• Fifteen 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.	All Russian-sourced income received by the REIT is exempt from taxation in Russia. Income received from foreign sources should be taxed according with applicable foreign legislation and double tax treaties. There should not be any corporate income tax in Russia at the level of the REIT in relation to any income received by the REIT. With respect to foreign sourced income there could be tax implications in foreign jurisdictions.	• The withholding tax rate will be 20 percent in 2015 and 19 percent in 2016 and beyond. • 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.	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.

Europe

Belgium	France	Germany	Ireland	Italy FII
Withholding tax (contd...)				
	• A 15 percent dividend withholding tax on dividends drawn from exempt income and paid in favor of certain French Undertakings for the Collective Investment in Transferable Securities (UCITS) and alternative investment funds (AIFs) 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 UCITS vehicles expressly enumerated in Article 119 of the FTC. • A 21 percent dividend withholding tax on dividends paid to an individual resident in an EU member state, Iceland, Norway or Liechtenstein. • A new 21 percent withholding tax on dividends paid to French tax resident individuals creditable against the personal income tax. • A 75 percent dividend withholding tax on dividend paid in a non-co-operative state or territory. • A 30 percent dividend withholding tax in the other cases. • These rates may be reduced under the provisions of tax treaties to 15 percent, 10 percent, 5 percent or 0 percent.			

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Withholding tax (contd...)				

Europe

Belgium	France	Germany	Ireland	Italy FII
Conversion into REIT status				
• All unrealized capital gains on property will be taxed at a reduced corporate tax rate of 16.995 percent upon conversion (exit tax). • Tax losses carried forward are deductible from the exit tax basis.	• An exit tax amounting to 19 percent (plus potentially the 10.7 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.	• 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.	A company converting into a REIT is deemed to have disposed and re-acquired its assets at their market value on the date which the notice to become a REIT is effective from. Capital gains tax (currently 33 percent) is payable on any gain arising from the deemed disposal.	It is not possible to convert companies in FIIs or vice versa.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Conversion into REIT status				
• Entry substitute tax of 26 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.	• 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.	• Conversion of an entity into a REIT is not permitted by law. • REITs should be established in the corporate form (legal entity) or in the form of a separate property complex. • The type of REIT for qualified or ordinary investors should be determined at the set-up stage and cannot be changed afterwards.	• Deferred taxes corresponding to temporary differences (assets and liabilities) would be realized under the general corporate income tax (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-year 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 cases of income obtained on the transfer of shares in other SOCIMIs or similar entities as well as on the transfer of other assets.	• The 'entry charge' of 2 percent of the market value of properties used in the tax-exempt business was abolished in the summer of 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.

Europe

Belgium	France	Germany	Ireland	Italy FII
Registration duties				
• Zero percent capital duty concerning contributions in cash or kind to a SICAFI (exemption). • Ten 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. • Two percent real estate transfer tax on (long) lease rights. • No registration duty on the transfer of shares.	• No proportional capital duty on capital contributions. • Transfer tax at around 5 percent on acquisition of real estate shares in an unlisted real estate company. The tax basis of the registration duty includes the market value of real estate assets and/or rights owned, increased by the market value of the other assets after deduction of the only debts linked to the acquisition of real estate assets and rights. • Transfer tax between 5.09 percent and 5.80 percent (depending on the location of the asset) on the acquisition of real estate assets plus notary fees and a 0.1 percent real estate security contribution. • No transfer tax on the sale of the listed SIIC shares (except if it is concluded in writing).		• Stamp duty of 1 percent applies on the acquisition of residential property with a market value of up to EUR1 million and at a rate of 2 percent on the excess over EUR1 million. • Stamp duty of 2 percent applies to the acquisition of non-residential real estate. • Stamp duty does not apply to an issue of new shares. However, the transfer of shares is subject to stamp duty at 1 percent.	• The setup of real estate fund (REF) should not be subject to a 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 EUR200 for each of these taxes. • 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 the value-added tax (VAT).
State and local tax				
• Property taxes (*précompte immobilier*). • Regional taxes. • Annual tax on net asset value (currently 0.0965 percent for public SICAFIs).			Value-added tax (VAT) applies to the REIT.	Municipal tax on immovable property.
Other benefits of REIT status				
REIT tax status can be extended to the REIT's subsidiaries.	• Until 31 December 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 iii. rights in a financial lease and the vendor benefits from a reduced rate of taxation of its capital gains of 19.63 percent.			

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Registration duties				
• No VAT applies on contribution of real estate. Further, EUR200 registration tax and EUR400 (EUR200 multiplied by 2) in transfer taxes are due. • Purchase of non-residential real estate by REIT is: – VAT-exempt under the ordinary regime (plus registration tax EUR200 plus 2 percent 'reduced' transfer tax). – Optionally subject to VAT (plus registration tax EUR200 plus 2 percent 'reduced' transfer tax).	Six 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 and/or participations) in a Dutch real estate company and/or investment fund.	• The management fee is paid to the management company out of the property of the REIT. • The amount of the management fee should be stipulated in the rules of the REIT and usually is determined based on the amount of the net assets of the REIT or its revenue. • The total amount of the fees paid to the management company, specialized depositary, registrar, appraiser and auditor should not exceed annually 10 percent of the average annual value of the REIT net assets (this restriction does not apply to REITs for qualified investors).	• Both a value-added tax (VAT) and a 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 housing for rental purposes and/or land in order to develop housing.	
State and local tax				
Municipal tax on immovable property.	(Local) taxes may be due with respect to the real estate being held. The tax basis is the so-called value for real estate property taxes (Waardering onroerende Zaken (WOZ)) imposed by the municipality in which the property is located.	The land and the underlying fixed assets of the REIT are subject to land and property tax.	• Local taxes. • Taxes on the acquisition and/or disposal of properties.	
Other benefits of REIT status				
	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.			

Europe

Belgium	France	Germany	Ireland	Italy FII
Various				
• Recently, a new type of real estate company was introduced in Belgium law (law of 12 May 2014). This new legislation offers real estate investment companies the opportunity to escape the application of the Alternative Investment Fund Managers Directive (AIFMD), which imposes stringent conditions regarding the organization structure, the amount of equity, information disclosure, transparency, etc. • The main differences relate to the fact that this type of investment vehicle more considered as a company than as a trust (e.g. the regulated real estate companies are ordinary operating companies that should act in accordance with the corporate purpose which means that not only the sole interest of the shareholders should be taken into account, but also the interest of the clients, which are the users of the buildings), whereby the real estate investment trusts are subject to the principle of collective management in the exclusive interest of the shareholders. • The tax treatment of the regulated real estate company is, to a large extent, similar to that of REITs. The main difference is that the king has no longer the capacity to introduce exemptions of withholding tax for distributions made by real estate companies. • This new legislation has come into force as of 16 July 2014 (royal decree of 13 July 2014).				

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Various				

Europe

Tax at shareholders' level – domestic corporate shareholders

Belgium	France	Germany	Ireland	Italy FII
Ordinary dividends				
• Taxable in the hands of the shareholders. • Participation exemption can only be claimed in very specific circumstances. • Twenty-five percent withholding tax can be imputed on corporate income tax liability of shareholder.	• Dividends paid out of the tax-exempt income and gains are fully taxed at 34.43 percent (increased to 38 percent if exceptional contribution of 10.7 percent applies). • Dividends paid out of the taxable income are fully taxed at 34.43 percent (increased to 38 percent if exceptional contribution of 10.7 percent applies). 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).	Fully taxable without further tax credit on income from foreign countries or companies.	• Chargeable to corporation tax on any distribution paid from the tax-exempt property rental business of the REIT at the higher rate of corporation tax (currently 25 percent). • Distributions from the non-tax-exempt business of the REIT are not subject to tax in the hands of the recipient (as they have already been taxed).	• Institutional investors[8]: Profit is taxed upon distribution with a 26 percent withholding tax (WHT). The WHT 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 undertakings for collective investment, the organismi di investimento collettivo del risparmio (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, the profit is subject to corporate income tax at ordinary rates. A 26 percent advanced withholding tax applies upon distribution to be credited against the final tax liability.
Capital gains distributions				
Capital gains are considered as profit and hence follow the same regime as ordinary dividends.			No distinction between ordinary dividends or capital distributions.	

8. Institutional investors mainly refer to Italian state or public entities, Italian OICR, a particular type of Italian investment company, società di investimento a capitale variabile (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.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Ordinary dividends				
• From the tax-exempt business: A 26 percent advanced WHT. The WHT may be credited against the final tax liability. • From the taxable businesses: Taxable in the ordinary manner.	• Included in taxable profit of shareholders. • Cannot claim the participation exemption. • Fifteen 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 will be 28 percent in 2015 and 25 percent in 2016 and beyond). • The amount withheld by the SOCIMI (will be 20 percent in 2015 and 19 percent in 2016 and beyond) would reduce the amount payable by the shareholder.	• 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.
Capital gains distributions				
	In principle, subject to tax unless it can be deemed as purchased dividend income (meegekocht dividend). A capital gain may be added to the re-investment reserve and be deemed as capital for withholding tax purposes.			

Tax at shareholders' level – domestic corporate shareholders

Belgium	France	Germany	Ireland	Italy FII
Return of capital distribution				
In the case of a share buyback, the amount allocated to the shareholder that exceeds the paid-in capital is, in principle, taxed as a dividend.	• 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.		A share buyback will be a disposal for capital gains tax purposes and is taxable in the ordinary manner.	Does not constitute a tax event. The amount allocated to the shareholder that exceeds the contribution made by the shareholder is, in principle, taxed as a dividend, as described above.
Disposal of REIT shares/units				
Capital gains 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).	• Capital gains fully taxable at 34.43 percent (increased to 38 percent if exceptional contribution of 10.7 percent applies). • 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).	• Capital gains fully taxable (no 95 percent exemption) • Losses fully tax effective.	Capital gains fully taxable in the ordinary manner (current rate is 33 percent).	• Institutional investor: The capital gains must be included in the investor's taxable basis and taxed at the ordinary corporate tax rate for FII shares held in connection with a business activity. A 26 percent[9] substitute tax applies for all other investors. • Non-institutional investor: i. With more than 5 percent of the FII units, the gain is taxed at the ordinary corporate tax rate as the participation exemption does not apply. The base cost for computing the taxable capital gain is the difference between the purchase price of the shares/units being disposed and the book value for tax purposes of these shares/units and the profits taxed on a 'look-through' basis in the hands of the seller that have not been distributed to the seller prior to the sale. ii. With no more than 5 percent of the FII units, the capital gains must be included in the investor's taxable basis and taxed at the ordinary corporate tax rate.

9. Substitute tax applies at 20 percent on the quota of the capital gain referring to amounts accrued by 30 June 2014 and at 26 percent on the quota of the capital gain referring to amounts accrued from 1 July 2014 onward.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Return of capital distribution				
Not to be taxed.	• Partial repayment of capital may be subject to Dutch dividend withholding tax, but only 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.	A share buyback will be a disposal for capital gains purposes and taxable in the ordinary manner.
Disposal of REIT shares/units				
• Capital gains taxable in the ordinary manner. • Participation exemption (PEX) regime is not allowed.	• Capital gains 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 will be 28 percent in 2015 and 25 percent in 2016 and beyond).	Capital gain fully taxable in the ordinary manner.

Europe

Tax at shareholders' level – domestic corporate shareholders

Belgium	France	Germany	Ireland	Italy FII
Income from foreign investment				
			Income from foreign investments may be treated as part of the REITs property rental business provided it satisfies the necessary conditions. Dividend of income from foreign investments treated the same as the ordinary dividend set out above.	
Interim payments				
Redemption of units				
Sale of units				

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Income from foreign investment				
Interim payments				
		The profit distributed by the REIT to Russian legal entities in the form of interim payments is subject to 20 percent Russian corporate income tax. Such tax should be payable only when the REIT's profit is distributed to unit holders. In this way there is a scope to postpone the taxation of profit and reinvest it into the operational activities of the REIT with no tax effect.		
Redemption of units				
		Income from redemption of units reduced by the amount of actually incurred and documented expenses on the acquisition of units is treated as capital gains (not dividends) and is subject to 20 percent Russian corporate income tax.		
Sale of units				
		The capital gains received from sale of units and determined as the difference between the sales income and related expenses (e.g. acquisition costs) is subject to 20 percent Russian corporate income tax. For tax purposes, the sale price should be within the arm's length levels.		

Europe

Tax at shareholders' level – domestic individual shareholders

	Belgium	France	Germany	Ireland	Italy FII
Ordinary dividends	• A 25 percent withholding tax is the final levy. • A 15 percent in case 80 percent of the SICAFI's assets are invested in residential property.	Dividends are subject to income tax at the progressive rate (marginal rate of 45 percent (plus an exceptional contribution on high income up to 4 percent when applicable) plus social contributions of 15.5 percent.	• A withholding tax (flat tax) of 26.375 percent. No individual tax. No further tax credit on income from foreign countries or companies. • Lower taxation may be applicable, depending on individual circumstances.	• Liable to Irish income tax on any distribution paid by the REIT at their marginal rate, plus social security and the universal social charge. • The REIT is obliged to apply dividend withholding tax at the standard rate (currently 20 percent) on any distribution made by it. The withholding tax is creditable against the individual's income tax liability.	• 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 the investor's tax regime. ii. With no more than 5 percent of the FII units, 26 percent advanced and/or final withholding tax, respectively, for investors that generate business income and for all other investors.
Capital gains distributions	Capital gains are considered as profit and hence follow the same regime as ordinary dividends.			No distinction between ordinary dividends or capital distributions.	
Return of capital distribution		• A share buyback, performed according to the specific process provided for by Article 225-209 of the French Commercial Code (the process used in most cases), gives rise to a taxable capital gain.		A share buyback will be a disposal for capital gains tax purposes and is taxable in the ordinary manner.	Does not constitute a tax event. The amount allocated to the shareholder that exceeds the contribution made by the shareholder is, in principle, taxed as a dividend, as described above.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Ordinary dividends				
• From the tax-exempt business, 26 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.	• A 'deemed income basis' of 1.2 percent income tax of the value of investment per 1 January of the tax year. • A 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 that go beyond passive investment with respect to the shares in the BI. Furthermore, the shareholder does not have a substantial interest (in principle together with tax partner defined as an interest of five percent or more) in the BI.		• Subject to the general personal income tax (PIT) regime (tax rate applicable in 2015, between 20 percent and 24 percent. In 2016 and beyond, between 19 percent and 23 percent). • The amount withheld by the SOCIMI (will be 20 percent in 2015 and 19 percent in 2016 and beyond) would reduce the amount payable by the shareholder.	• 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.
Capital gains distributions				
	See under ordinary dividends. A capital gain may be added to the re-investment reserve and deemed as capital for withholding tax purposes.			
Return of capital distribution				
Not subject to taxation.	Partial repayment of capital may be subject to Dutch dividend withholding tax, but only 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.	A share buyback will be a disposal for capital gains purposes and taxable in the ordinary manner.

Europe

Tax at shareholders' level – domestic individual shareholders

Belgium	France	Germany	Ireland	Italy FII
Return of capital distribution (contd...)				
Not taxable.	• 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.			
Disposal of REIT shares/units				
• Capital gains not taxable (assuming they fall 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.	As of 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 (50 percent for a minimum holding period of 2 years, 65 percent as from 8 years).	• A withholding tax (flat tax) of 26.375 percent. This applies regardless of the holding period. • Lower taxation may be applicable, depending on individual circumstances.	Capital gains fully taxable in the ordinary manner.	• Non-institutional investor: i. With more than 5 percent of the FII units, the gain is taxed at a marginal rate on 49.72 percent of its amount. The base cost for computing the taxable capital gain is the difference between the purchase price of the shares/units being disposed and the book value for tax purposes of these shares/units and the profits taxed on a 'look-through' basis in the hands of the seller that have not been distributed to the seller prior to the sale. ii. With no more than 5 percent of the FII units, the gain is taxed at a marginal rate on 49.72 percent of its amount if the unit holder performs a business activity. A 26 percent[10] substitute tax is applied for all other investors.

10. Substitute tax applies at 20 percent on the quota of the capital gain referring to amounts accrued by 30 June 2014 and at 26 percent on the quota of the capital gain referring to amounts accrued from 1 July 2014 onward.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Return of capital distribution (contd...)				
			• From 1 January 2015 onward, in case there is a positive difference between i) the SOCIMI's equity at the end of the year prior to the return of share capital and/or share premium and ii) the shares' acquisition value for a given shareholder, an amount of share capital and/or share premium distributed up to said difference would be treated for tax purposes as a dividend distribution (i.e. subject to taxation as dividend in the hands of the shareholder, as explained above). This special rule would not be applicable if the SOCIMI is listed in a Spanish or other EU country's regulated stock exchange.	
Disposal of REIT shares/units				
• Capital gains taxable in the ordinary manner. • PEX regime is not allowed.	Capital gain not subject to any special tax.		Capital gain subject to the general PIT regime.	Capital gain fully taxable in the ordinary manner.

Europe

Tax at shareholders' level – domestic individual shareholders

Belgium	France	Germany	Ireland	Italy FII
Income from foreign investment				
			Income from foreign investments may be treated as part of the REIT's property rental business provided it satisfies the necessary conditions. Dividend of income from foreign investments treated the same as the ordinary dividend set out above.	
Interim payments				
Redemption of units				
Sale of units				

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Income from foreign investment				
Interim payments				
		Interim income distributed by the REIT to Russian tax resident individuals is subject to 13 percent personal income tax.		
Redemption of units				
		Income from redemption of units reduced by the amount of actually incurred and documented expenses on the acquisition of units is subject to 13 percent personal income tax.		
Sale of units				
		Income from the sale of units reduced by the amount of actually incurred and documented expenses on the acquisition of units is subject to 13 percent personal income tax.		

Europe

Tax at shareholders' level – foreign shareholders

Belgium	France	Germany	Ireland	Italy FII
Ordinary dividends				
• A 25 percent withholding tax • Should be determined on a case-by-case basis whether treaty access is available to claim a reduction. • Fifteen 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).	• A 3 percent contribution applying to any distribution drawn from tax exempt income and exceeding the minimum distribution obligations and on any distribution drawn from the taxable result (i.e. resulting from ancillary activities) except for distributions paid to other SIICs holding at least 95 percent of the share capital of the distributing company and distributions paid to a parent company incorporated within the form of a French OPCI having elected for the SIIC regime. • A 15 percent dividend withholding tax on dividends paid to a non-profitable entity resident in an EU member state, Iceland, Norway or Liechtenstein. • A 15 percent dividend withholding tax on dividends drawn from exempt income and paid in favor of certain French UCITS and AIFs 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 of the FTC. • A 21 percent dividend withholding tax on dividends paid to an individual resident in an EU member state, Iceland, Norway or Liechtenstein.	• Twenty-five percent in general plus 5.5 percent solidarity surcharge. • 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.	The REIT is obliged to apply dividend withholding tax at the standard rate (currently 20 percent) on any distribution made by it from the profits of its tax-exempt property rental business. A portion of this withholding tax may be refunded to the individuals under the provisions of the applicable double tax treaty.	• Institutional investor: Profit is taxed upon distribution with a 26 percent withholding tax that could be reduced according to the double tax treaty (DTT), where applicable. The 26 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. iii. Central banks or entities that manage the official reserve of the state. iv. Vehicles that are owned 100 percent by pension funds, OICR residing in white-list countries and sovereign funds. • Non-institutional investor: – Profit is taxed upon distribution with a 26 percent domestic withholding tax that could be reduced according to DTT, where applicable.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Ordinary dividends				
• From the tax-exempt business: Twenty-six percent final withholding tax, 15 percent final withholding tax on the distribution of profits deriving from the letting of certain residential buildings. The EU parent directive is not applicable so that no exemption may be granted. DTT benefits might be applicable (the foreign tax credit might fully recover, locally, the final WHT paid at the source). • Taxable in the ordinary manner if profits are derived from the SIIQ's taxable businesses.	• 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. • Fifteen percent withholding tax. • May be reduced under the double tax treaty.		• A 20 percent rate tax is applicable in 2015 (19 percent in 2016 and beyond). 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.	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.

Europe

Tax at shareholders' level – foreign shareholders

Belgium	France	Germany	Ireland	Italy FII
Ordinary dividends (contd...)				
	• A new 21 percent withholding tax on dividends paid to French tax resident individuals creditable against the personal income tax. • A 75 percent dividend withholding tax on dividend paid in a non-co-operative state or territory. • A 30 percent dividend withholding tax in the other cases. • 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.			
Capital gains distributions				
Capital gains are considered as profit and hence follow the same regime as ordinary dividends.			No distinction between ordinary dividends or capital distributions.	
Return of capital distribution				
Not taxable.	• 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.		A share buyback will be a disposal for capital gains tax purposes and is taxable in the ordinary manner.	• Does not constitute a tax event. • The amount allocated to the shareholder that exceeds the contribution made by the shareholder is, in principle, taxed as dividend as described above.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Ordinary dividends (contd...)				
Capital gains distributions				
	See under ordinary dividends. A capital gain may be added to the re-investment reserve and deemed as capital for withholding tax purposes.			
Return of capital distribution				
Not subject to taxation.	(Partial) repayment of capital may be subject to Dutch dividend withholding tax, but only 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.	

Europe

Tax at shareholders' level – foreign shareholders

Belgium	France	Germany	Ireland	Italy FII
Return of capital distribution (contd...)				
Disposal of REIT shares/units				
• In principle, not taxable in Belgium based on the double tax treaties.	• 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 member state, Iceland, Norway or Liechtenstein. • This rate is increased up to 75 percent for foreign investors located in a non-co-operative state or territory. • Non-profit entities located in an EU member state, Iceland, Norway or Liechtenstein are exempt.	Capital gains may be exempt from German tax.	Capital gains fully taxable in the ordinary manner.	• Institutional investor: Capital gain is taxed to a substitute tax at 26 percent.[11] No taxation for: 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. iii. Central banks or entities that manage the official reserve of the state. iv. Vehicles 100 percent owned by pension funds, OICR residing in white list countries and sovereign funds.

11. Substitute tax applies at 20 percent on the quota of the capital gain referring to amounts accrued by 30 June 2014 and at 26 percent on the quota of the capital gain referring to amounts accrued from 1 July 2014 onward.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Return of capital distribution (contd...)				
			• From 1 January 2015 and beyond, in case there is a positive difference between i) the SOCIMI's equity at the end of the year prior to the return of share capital and/or share premium and ii) the shares acquisition value for a given shareholder, an amount of share capital and/or share premium distributed up to said difference would be treated for tax purposes as a dividend distribution (i.e. subject to taxation as dividend in the hands of the shareholder, as explained above). This special rule would not be applicable if the SOCIMI is listed in a Spanish or other EU country's regulated stock exchange. • In case the gain is realized through a permanent establishment in Spain, the same rules as for domestic corporate shareholders are applicable.	
Disposal of REIT shares/units				
• Capital gain taxable in the ordinary manner. • PEX regime is not allowed.	• Capital gain 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 20 percent tax in 2015 and 19 percent in 2016 onwards). 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.	

Europe

Tax at shareholders' level – foreign shareholders

Belgium	France	Germany	Ireland	Italy FII
Disposal of REIT shares/units (contd...)				
	• Non-resident individuals are also subject to social contributions (15.5 percent). • Pursuant to the draft Second French Amended Finance Bill for the 2014 fiscal year, the disposal of SIIC shares by foreign European entities holding more than 10 percent would no longer trigger the appointment of a tax representative.			Non-institutional investor: • With more than 5 percent of the FII units, the gain is taxed at a marginal rate on 49.72 percent of its amount. • With no more than 5 percent of the FII units, there is a 26 percent[12] substitute tax. • It would apply DTT provisions if available.
Income from foreign investment				
			Income from foreign investments may be treated as part of the REIT's property rental business provided it satisfies the necessary conditions. Dividend of income from foreign investments treated the same as the ordinary dividend set out above.	
Interim payments – foreign corporate shareholders				

12. Substitute tax applies at 20 percent on the quota of the capital gain referring to amounts accrued by 30 June 2014 and at 26 percent on the quota of the capital gain referring to amounts accrued from 1 July 2014 onward.

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Disposal of REIT shares/units (contd...)				
			• As an exception, the gain obtained by foreign shareholders with a participation lower than 5 percent in a SOCIMI listed in a Spanish regulated stock exchange would be tax exempt provided i) the sale takes place on 1 January 2015 or after and ii) the shareholder is resident in a country with a DTT signed with Spain, including an information exchange clause.	
Income from foreign investment				
Interim payments – foreign corporate shareholders				
		• Russian legislation does not contain provisions that directly stipulate the application of Russian withholding tax in respect to income received by the foreign unit holders (without permanent establishment in Russia) in the form of interim payments of the REIT. • Potentially, such income can be treated as dividends, but this is not sustainable from the legal perspective for REITs that are not legal entities. • There are also grounds to treat interim payments as a Russian source of income related to operations with Russian real estate, subject to a 20 percent Russian withholding tax.		

Europe

Tax at shareholders' level – foreign shareholders

Belgium	France	Germany	Ireland	Italy FII
Interim payments – foreign corporate shareholders (contd...)				
Interim payments – foreign individual shareholders				
Redemption of units – foreign corporate shareholders				
Redemption of units – foreign individual shareholders				

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Interim payments – foreign corporate shareholders (contd...)				
		• The less conservative approach, which also exists, is to treat interim payments made by the REIT as other source income, which can be exempt from taxation in Russia under many applicable double tax duty (DTT).		
Interim payments – foreign individual shareholders				
		Interim income distributed by the REIT to an individual who is a resident of a foreign jurisdiction is subject to 30 percent Russian personal income tax. Potentially, a lower rate may be applied under some DTTs.		
Redemption of units – foreign corporate shareholders				
		Income from the redemption of REIT units on a net basis is subject to withholding tax at the rate of 20 percent. Potentially, tax exemption may be applicable under certain DTT.		
		Income from the redemption of REIT units on a net basis is likely to be subject to a 30 percent Russian personal income tax. Potentially, a lower rate or exemption may be applied under some DTTs.		

Europe

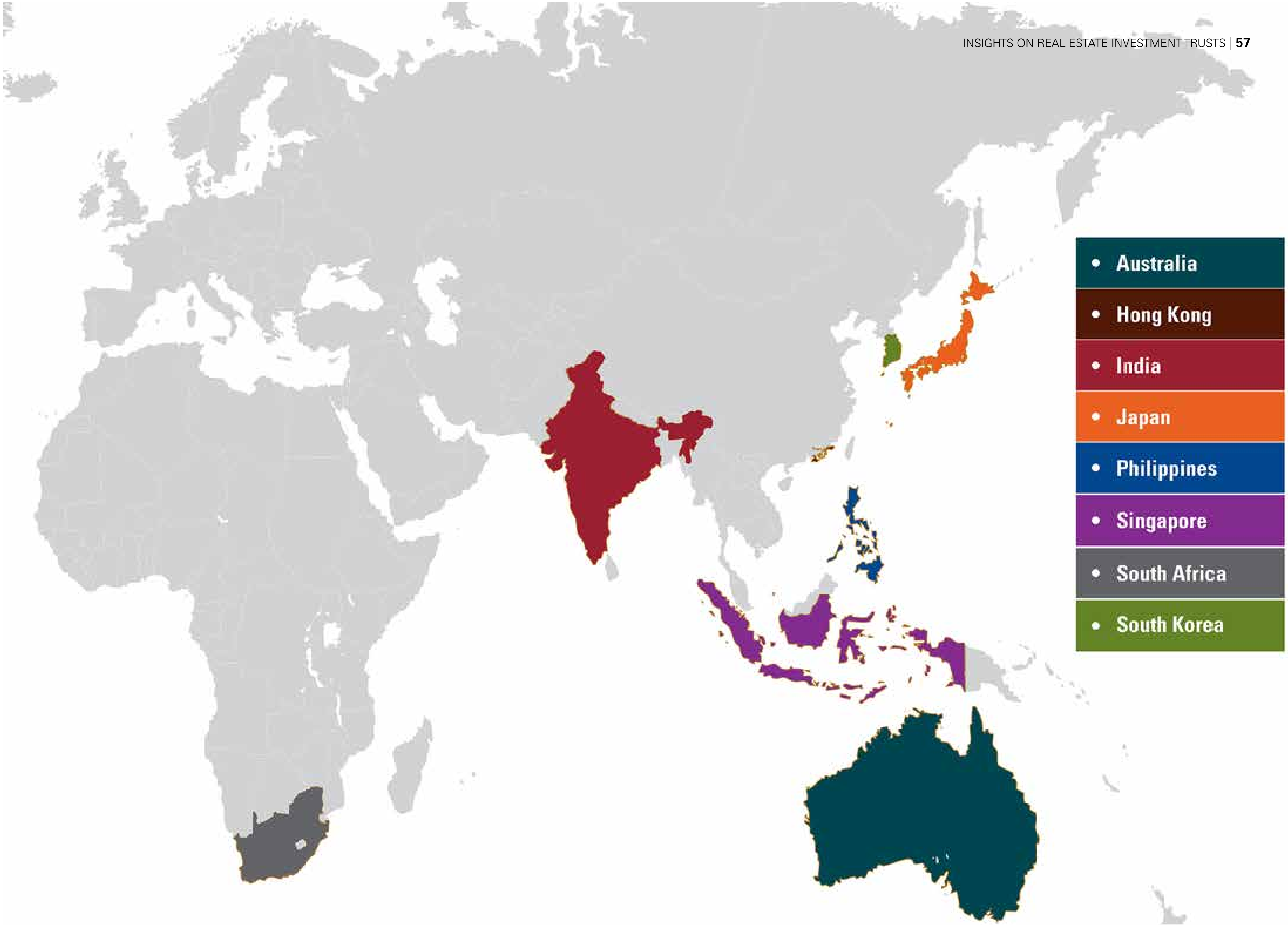
Tax at shareholders' level – foreign shareholders

Belgium	France	Germany	Ireland	Italy FII
Sale of units – foreign corporate shareholders				
Sale of REIT shares/units – foreign individual shareholders				

Europe

Italy SIIQ	Netherlands	Russia	Spain	UK
Sale of units – foreign corporate shareholders				
		Income from the sale of REIT units minus acquisition and sale related expenses is subject to a 20 percent withholding tax. Potentially, tax exemption may be applicable under certain DTT.		
Sale of REIT shares/units – foreign individual shareholders				
		Income from the sale of REIT on a net basis units may be subject to 30 percent Russian personal income tax. Potentially, a lower rate or exemption may be applied under some DTTs.		

Asia Pacific and Africa


• Australia
• Hong Kong
• India
• Japan
• Philippines
• Singapore
• South Africa
• South Korea

Asia Pacific and Africa

Description

Australia	Hong Kong	India	Japan
Year Enacted			
• No specific REIT regime. • Capital gains tax (CGT) regime created in 1985. • Managed investment trust (MIT) withholding tax rules created in 2008.	2003	2014	2000
Governed by or under supervision			
Governed by the Income Tax Assessment Acts of 1936 and 1997, the Tax Administration Act of 1953 and the Corporations Act 2001.	Regulated by the Securities and Future Commission (SFC).	• Securities and Exchange Board of India (SEBI) through SEBI (REIT) Regulations of 2014 (the regulations). • Taxation governed by the Income Tax Act (the ITA).	• Governed by the Investment Trust and Investment Corporation Law. • Additionally, J-REITs must observe self-regulating rules established by the Investment Trusts Association. • J-REITs must comply with the Japanese tax law in order to be tax qualified.
Formalities and procedure			
• No special legal or regulatory requirements to be a REIT. • However, to benefit from withholding tax changes, the REIT must at least be an MIT, for which the requirements are: i. The trustee of the trust must be an Australian resident or the central management and control of the trust must be in Australia. ii. The trust must be 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.	Must comply with the REIT Code. This includes, subject to certain *de minimis* thresholds: • All connected party[13] 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.	• To be constituted as a trust, a REIT should be formed through a trust deed with the undertaking of activity of a REIT in accordance with the regulations as its main objective. • Such trust deeds should also include the responsibilities of the trustee as specified in the regulations. • The REIT, formed through such trust deeds, is required to be registered under the Indian Registration Act and also with the SEBI in order to carry the activities of a REIT. • The sponsor(s), manager and trustee should be designated and all such persons should be separate entities. • A REIT is considered as a separate taxable unit under the ITA and accordingly, the registration and other formalities under the ITA need to be fulfilled.	• Bylaws must be prepared and filed with the prime minister. • Registration with the prime minister is required to obtain investment corporation status.

13. 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 percent 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.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Year Enacted			
The REIT Act of took effect on 9 February 2010.	2002	REIT legislation became effective in South Africa for years of assessment commencing on or after 1 April 2013.	• 2001 for general REITs and corporate restructuring (CR) REITs • 2005 for entrusted management REITs.
Governed by or under supervision			
• Governed by REIT Act, Corporation Code of the Philippines, Securities Regulation Code of 2000 and the National Internal Revenue Code. • Regulated by the Securities and Exchange Commission (SEC) and Bureau of Internal Revenue.	• 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.	The Income Tax Act (ITA) No. 58 of 1962.	Governed by the Real Estate Investment Company Act.
Formalities and procedure			
• Register with the SEC in accordance with the Corporation Code and the rules and regulations prescribed by SEC. • Like any other corporation, the REIT must also register with other government agencies such as the Bureau of Internal Revenue, local government units 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 members of the board of directors of a REIT shall be independent directors.	Application to the Inland Revenue Authority of Singapore for tax transparency and tax exemption rulings.	• REITs must also be an issuer listed on the Johannesburg Stock Exchange (JSE) Limited, which has received REIT status in terms of the JSE Listings Requirements. • A REIT must also be a property entity which is defined in the JSE Listings Requirements as a company or a collective investment scheme in property (CISIP) which is primarily engaged, directly or indirectly, in property activities including: – The holding of properties and development of properties for letting and retention as investments. – The purchase of land for development of properties for retention as investments.	• 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 that must describe its duration in its article of incorporation. Entrusts the management of assets to asset management companies that are licensed by the MOLIT. • Entrusted management REIT: paper company that must describe its duration in its article of incorporation. Entrusts the management of assets to asset management companies that are licensed by the MOLIT.

Asia Pacific and Africa

Australia	Hong Kong	India	Japan
Formalities and procedure (contd...)			
v. No foreign resident individual holds (directly or indirectly) 10 percent or more of the trust. • In addition, to benefit from the deemed capital rules, the following requirements must be satisfied: i. The REIT must satisfy the relevant MIT definition. ii. The REIT must make an election within the required time limit.[14]			
Legal form and share capital			
• Resident/non-resident (public) unit (fixed) trust. • May adopt one of two structures: i. standalone unit trust, passively holding a real estate portfolio ii. form part of a listed stapled security where 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, such as 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 listed property trusts (LPTs) now involve stapled structures.	• Unit trust listed in Hong Kong. • No formal minimum capital requirements in the REIT code but it is 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.	• A REIT can only be in a form of a trust by way of a duly registered trust deed. • The trustees would hold the legal title to and manage the trust property for the benefit of the beneficiaries of the REIT. • The value of the REIT assets shall be a minimum of Indian rupees (INR) 5000 million.	• Trust or corporation. • Minimum capital required for corporate type is Japanese Yen (JPY) 100 million.

14. 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.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Formalities and procedure (contd...)			
Legal form and share capital			
• Stock corporation. • Must be a public company and to be considered as such, a REIT shall: i. Maintain its status as a listed company. 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 of listing. • Minimum paid-up capital of Philippines Peso (PHP) 300 million at the time of incorporation, in cash and/or property. • Nationality requirement: Can be 100 percent foreign-owned, but REITs that own land located in the Philippines must comply with foreign ownership limitations imposed under Philippine law.	• Unit trust constituted by trust deed. • SGD20 million minimum assets to be listed on the Singapore Exchange.	A REIT is usually a public, for-profit company in terms of the Companies Act. However, it may be a collective investment scheme governed by the Collective Investment Schemes Control Act No. 45 of 2002.	• Self-management REITs are stock companies. • CR-REITs are paper companies (i.e. special purpose companies that have a finite life) with minimum share capital of South Korean Won (KRW) 5 billion. • Entrusted management REITs are paper companies with a minimum share capital of KRW5 billion. • Self-management REITs and the other REITs are allowed to start with a share capital of KRW1 billion and KRW500 million, respectively, which must be increased to at least KRW7 billion and KRW5 billion, respectively, within 6 months of obtaining the business approval from the MOLIT.

Asia Pacific and Africa

Australia	Hong Kong	India	Japan
Restriction on shareholdings			
Certain acquisitions by non-residents may require notification/approval by the Foreign Investment Review Board (FIRB).	Minimum public float applies.	• Each co-sponsor shall hold at least 5 percent of the units on a post-issue basis. • All co-sponsors shall collectively hold at least 25percent of the units of the REIT up to 3 years post listing (which can be reduced up to 15 percent thereafter). • Any person other than the sponsor(s) holding units of the REIT prior to initial offer shall hold the units for a period of at least 1 year. • The minimum public holding for the units of the listed REIT shall be 25 percent of the total number of outstanding units at all times. • The number of public unit holders of the REIT shall be a minimum of 200 at all times. If the above conditions are not met, then the REIT units will be delisted after allowance of a cure period of 6 months.	• 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. iii. One hundred 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.
Mandatory listing on stock exchange			
Optional requirement to list on the Australian Stock Exchange. There are conditions in order to be able to list, including a requirement to have 300/350/400 unit holders, each holding a parcel of units with a value of at least Australian Dollar (AUD) 2,000 and 50 percent/25 percent/nil held by unrelated parties.	Mandatory to list on the Hong Kong Stock Exchange.	• All REITs in India are required to be listed on a recognized Indian stock exchange that has nationwide trading terminals. • REITs are required to make an initial offer (includes an offer for sale) to the public within 3 years of its registration. If not, it will be required to surrender its SEBI registration. • The minimum offer size to shall be INR2500 million. • The listing of the units of REIT shall be done within 12 days of the closure of the public offer. • Trading lot for the purpose of trading of units of the REIT shall be INR100, 000. • The REIT shall redeem units only by way of a buyback or at the time of delisting.	Optional to list on a Japanese stock exchange. A number of requirements must be met in order to be able to list.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Restriction on shareholdings			
• 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 3 years of listing. • A REIT that owns land located in the Philippines must comply with foreign ownership limitations imposed under Philippine law.	At least 500 public shareholders holding 25 percent of its units.	A REIT that is not a CISIP must have no par value shares of which 20 percent must be held by the public if the REIT in terms of the JSE Listings Requirements (main board).	• Self-management REITs have a minimum 30 percent public float and each investor holds less than 30 percent. • CR-REITs have no individual shareholding limits. • Entrusted management REITs have a minimum 30 percent public float and each investor holds less than 40 percent.
Mandatory listing on stock exchange			
A REIT shall be a public company and to be considered as such, it shall: i. maintain its status as a listed company ii. 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 3 years of listing.	• An S-REIT must be listed on the Singapore Exchange to be eligible for tax concessions. • In order to be able to list, an S-REIT must have assets worth Singapore Dollar (SGD) 20 million.	• For a main board listing, a REIT must satisfy the following initial listing criteria: – It must have a subscribed capital, including reserves but excluding minority interests and revaluations of assets and excluding intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last 6 months of at least South African rand (ZAR) 50 million. – It must have at least ZAR25 million equity shares in issue. – It must prepare a profit forecast supported by a special property forecast accountants' report which must indicate that there will be a forecast of ZAR15 million profit before taxation after taking account of headline earnings adjustment on a pre-tax basis and before taking into account any distributions to security holders/CISIP investors. – A REIT must have control (50 percent plus one of the voting shares) over the majority of its assets.	• Self-management REITs and entrusted management REITs have mandatory requirements to list on the securities market of the Korea Stock Exchange. • CR-REITs do not have mandatory listing requirements.

Asia Pacific and Africa

Australia	Hong Kong	India	Japan
Mandatory listing on stock exchange (contd...)			

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Mandatory listing on stock exchange (contd...)			
		• The property entity must satisfy the JSE that the asset manager/management company and/or executive directors responsible for managing the property portfolio have adequate, appropriate and satisfactory experience in the management of investments of the type in which the property entity proposes to invest. The directors of a REIT must submit an annual compliance certificate to the JSE, within 6 months of year-end, which must confirm that the directors of the REIT have ensured: – The REIT complies with the distribution provisions of the JSE Listings Requirements. – The REIT will, to the best of its knowledge, qualify for a tax deduction of distributions under section 25BB(2) of the Income Tax Act for the current or future financial year-end. – Subsequent to the authorization of any new borrowings, the total consolidated liabilities of the REIT are not more than 60 percent of the total consolidated assets. • The responsibilities of the audit committee or separate risk committee with regards to the adoption, implementation and compliance with an appropriate risk management policy that, *inter alia*, specifically prohibits the REIT from entering into any derivative transaction that are not in the normal course of business have been complied with.	

Asia Pacific and Africa

Australia	Hong Kong	India	Japan
Restrictions on activities and investments			
• Unit trusts are able to invest offshore. • Public unit trusts (generally, 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 to undertake associated but ineligible activities. • 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 special purpose vehicles (SPVs).	• Can invest in real estate anywhere in the world. • Limited investment in financial instruments is also allowed. • Investing in hotels and recreation parks is permitted. • Property development activities cannot represent more than 10 percent of the gross asset value. • Real estate must generally be income generating, with exceptions allowed for buildings in the course of substantial redevelopment or refurbishment. • Some restrictions when investing through special purpose vehicles (SPVs). • Minimum real estate holding period of 2 years (may sell earlier subject to unit holders' approval).	**Conditions relating to investments and revenue** • Investment by a REIT shall only be in the following assets in India in accordance with the regulations and the investment strategy as detailed in the offer document (which may be amended subsequently): – special purpose vehicle (SPV), being a company or LLP in which the REIT holds at least 50 percent interest) – real estate assets, except vacant or agricultural land – securities, excluding mortgages other than mortgage-backed securities – Transferable Development Rights (TDR). • Investment in real estate assets through SPV shall be subject to the following: – No other shareholder or partner of the SPV shall have any rights that prevents the REIT from complying with the provisions the regulations. – The REIT shall have not less than one representative on the board or governing body of the SPV. – The manager of the REIT shall ensure that the voting of the REIT is exercised in every meeting of the SPV. • At least 80 percent of the REIT assets shall be invested proportionately to the holding of the REIT in completed and rent generating properties. • The remaining 20 percent of the REIT assets can be invested in: – under construction or completed but not rent-generating real estate assets (not exceeding 10 percent of REIT assets in aggregate), which must be held for at least 3 years post-completion/ purchase – listed or unlisted debt of companies or body corporate in the real estate sector – mortgage backed securities – equity shares of companies listed in India and deriving at least 75 percent of their operating income from real estate activity – government securities	• Investments only in qualified assets. These include real estate and leasehold rights in real estate. • J-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.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Restrictions on activities and investments			
• May only invest in: i. Real estate located in the Philippines, whether freehold or leasehold. 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 the limit is 25 percent.	• At least 70 percent of the funds deposited 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 or indirectly, the value of which is beyond 10% of its total portfolio value, including investment in unlisted property development companies. Not allowed to invest in vacant land and mortgages. • In principle, can invest in overseas real estate.	• A REIT must comply with the following criteria: – Distribute at least 75 percent of its total distributable profits as a distribution to the holders of its listed securities by no later than 6 months after year-end, subject to the solvency and liquidity test as defined in the Companies Act. – Interim distributions may occur before the end of the financial year-end. – The REIT will procure that its subsidiaries, which are property entities incorporated in South Africa, will distribute at least 75 percent of their total distributable profits as a distribution by no later than 6 months after their financial year ends. – Distributable profit is defined as gross income less deductions and allowances that are permitted to be deducted by a REIT in terms of the Income Tax Act, other than the qualifying distribution. – The REIT must have gross assets of at least ZAR300 million. – The REIT must be a property entity. – At least 75 percent of the revenue of the REIT's group must be derived from rental income. – The REIT must comply with the criteria for listing set out above. – The directors must confirm that the REIT will, to the best of its knowledge, qualify for a tax deduction of distributions under section 25BB(2) of the Income Tax Act for the current and future financial years. – The directors must undertake to ensure at the time new borrowings are authorized that, subsequent to the new borrowings being incurred, the total consolidated liabilities will not be more than 60 percent of the total consolidated assets. This must also be the case at the date of listing of the REIT. – The audit committee or separate risk committee must adopt and implement an appropriate risk management policy, as detailed above.	• Self-management REITs and entrusted management REITs: – 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. – Minimum holding period: i) 3 years for a house and 1 year for other domestic real estate properties ii) requirements for overseas real properties are dependent on the articles of association. • CR-REITs: – At least 70 percent of the asset must be invested in real estate placed in the market because of corporate restructuring. – No restriction on minimum holding period.

Asia Pacific and Africa

Australia	Hong Kong	India	Japan
Restrictions on activities and investments (contd...)			
		– unutilized floor space index (FSI) of an existing project – TDR acquired for the purpose of utilization with respect to an existing project – money market instruments or cash equivalents. • At least 75 percent of the REIT assets proportionately and on a consolidated basis shall be rent generating. • A REIT shall hold at least two projects, directly or through SPV with not more than 60 percent of the value of assets in one project. • A REIT shall hold a completed and rent-generating property, whether directly or through SPV, for at least 3 years. • At least 75 percent of the revenues of the REIT and the SPV, other than gains from disposal of immovable properties, shall be, at all times, from rental, leasing and letting real estate assets or any other income incidental to the leasing of such assets. **Other conditions** • For any sale of property by the REIT/SPV or sale of shares/interest in SPV by the REIT exceeding 10 percent of REIT assets in a financial year, prior approval of unit holders is required. • A REIT shall neither invest in units of other REITs nor undertake lending to any person (except investment in debt securities as allowed). • No schemes shall be launched under the REIT. • In case of any co-investment with any person(s): – the investment by the other person(s) shall not be at terms more favorable than those to the REIT – the investment shall not provide any rights to the person(s) which shall prevent the REIT from complying with the regulations – the agreement with such person(s) shall include the minimum percentage of distributable cash flows that will be distributed and entitlement of the REIT as well as related matters. • Detailed provisions with respect to the manner and extent of transactions with related parties are made in the regulations.	

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Restrictions on activities and investments (contd...)			

Asia Pacific and Africa

Australia	Hong Kong	India	Japan
Leverage			
• If the thin capitalization rules apply, the listed property trust is broadly allowed to gear 60 percent of its adjusted Australian asset base. • Debt deductions (e.g. interest expenses) will be reduced where the amount of debt exceeds the permitted gearing ratio of (1.5:1). There are certain *de minimus* and limited arm's length exemptions.	Borrowings shall not exceed 45 percent of the total gross asset value of the scheme.	• The aggregate consolidated borrowings and deferred payments of the REIT (excluding refundable security deposits to tenants) net of cash and cash equivalents shall never exceed 49 percent of the REIT assets. • If the aggregate consolidated borrowings and deferred payments of the REIT net of cash and cash equivalents exceed 25 percent of the REIT assets, then unit holders' approval as well as a credit rating shall be obtained for any further borrowing. • If the above conditions are breached on account of market movements of the price of the underlying assets/securities, then the same shall be cured within 6 months.	Unlimited, but any borrowings by a J-REIT must be from a qualified financial institution.
Distribution on operative income			
• No requirement. However, trustee of trust is taxable if unit holders are not presently entitled to 100 percent of the income of the trust at year-end. • Where stapled structure is adopted, there are no minimum dividend requirements for the company.	At least 90 percent of its audited annual net income after tax. Trustee can exclude certain revaluation gains and capital profits.	• At least 90 percent of net distributable cash flows of the SPV shall be distributed to the REIT on a half yearly basis (except in the case of reinvestment of sale proceeds of a property in another property, as stated below). • At least 90 percent of net distributable cash flows of the REIT shall be distributed to the unit holders, on half yearly basis (except in case of reinvestment of sale proceeds of a property in another property, as stated below);	At least 90 percent of accounting income or distributable profit.
Distribution in respect to capital gain resulting from disposed investments			
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.	No requirement, subject to trust deed.	• If the sale proceeds of any property sold by the REIT or SPV are proposed to be re-invested then the distribution shall not be required by the REIT or SPV. • If the REIT or SPV proposes not to reinvest such sales proceeds, then it shall be required to distribute at least 90 percent of the sales proceeds.	At least 90 percent of accounting income or distributable profit.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Leverage			
• Total borrowing and deferred payments should not exceed 35 percent of its deposited property. • REITs that have 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 managers shall not borrow from any of the funds under its management for the REIT.	• Thirty-five percent of its deposited property. • May exceed 35 percent of its deposited property (up to a maximum of 60 percent) if the S-REIT has obtained a credit rating from either Fitch Ratings, Moody's or Standard and Poor's, which is then disclosed to the public. The S-REIT must then continue to disclose its credit rating until its borrowings drop to 35 percent (or below) of its deposited property.	See above.	Borrowings shall not exceed the amount twice the REIT's net worth, which can be extended to 10 times, subject to a special resolution of the REIT's general meeting of shareholders.
Distribution on operative 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.	• Ninety 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.	See above.	At least 90 percent of distributable income.
Distribution in respect to capital gain resulting from disposed investments			
• Gain from the sale of the REIT's assets shall form part of the distributable income. • Distributable income excludes proceeds from the sale of the REIT's assets that are re-invested by the REIT within 1 year from the date of the sale.	No requirement.	• Any capital gain or capital loss made by a REIT or controlled company must be disregarded if it is made from the disposal of: – immovable property – a share or linked unit in a company that is a REIT at the time of disposal – a share or linked unit in a company that is a property company at the time of disposal. • Where capital allowances have been claimed on immovable property, this will result in recoupments of these allowances that were previously claimed.	At least 90 percent of distributable income.

Asia Pacific and Africa

Australia	Hong Kong	India	Japan
Distribution in respect to capital gain resulting from disposed investments (contd...)			
Timing of distribution			
• At least annually. • MITs must distribute within 3 months of year-end.	Annually	• The distribution of the net distributable cash flow/ sale proceeds shall be declared at least on a half yearly basis and shall be made no later than 15 days from such declaration. • If the distributions are not made within 15 days, then the manager shall be liable to pay interest to the unit holders at 15 percent per annum until the distribution is made and such interest shall not be recovered from the REIT in any form whatsoever.	Within 3 months following the fiscal year end.
REIT-level income tax			
• 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.	• 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 a profits tax of 16.5 percent. • Dividend income from SPVs is tax exempt. • No Hong Kong tax on income from foreign properties.	• A REIT is a taxpayer under the ITA and must compute taxable income each year and pay tax. • Interest received or receivable by the REIT from the SPV (defined as an Indian company) is exempt in the hands of the REIT and taxable in the hands of unit holders. There is no withholding tax by the SPV on interest paid to the REIT. • Dividends received by the REIT from the SPV shall be exempt in the hands of the REIT, as the SPV will have to pay distribution tax of about 20 percent. The onward distribution of such dividends by the REIT to the unit holders shall also be not liable to tax. • Any other income of the REIT like lease rental or other business profits shall be taxable in the hands of the REIT at maximum marginal rate of 30 percent (plus applicable surcharges or taxes) and exempt in the hands of unit holders.	J-REITs are subject to tax at an effective rate of approximately 37 percent. However, distributions are deductible if certain requirements are met.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Distribution in respect to capital gain resulting from disposed investments (contd...)			
		• Where this recoupment is distributed to investors, it will form part of the qualifying distribution deduction and no tax will be paid thereon by the REIT. • Where the recoupment is not distributed under a policy of the REIT not to distribute capital gains, this recoupment will be taxed in the hands of the REIT.	
Timing of distribution			
Annually, not later than the last working day of the fifth month following the close of the fiscal year of the REIT.	Annually	See above.	Annually
REIT-level income tax			
• Thirty 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.	• Not taxable if the S-REIT's 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.	• The section covering taxation of REITs in South Africa is section 25BB of the ITA. Section 25BB does not exempt a REIT from income tax, but legislates how certain receipts and distributions will be treated for tax purposes. • The section does not eliminate normal tax principles that may need to be applied in determining table income (e.g. non-deductible expenses, interest during construction, pre-payments, income received in advance, section 24C allowances, financial instrument income, taxable capital gains/losses from non-property companies). • Section 25BB allows for a deduction of a qualifying distribution, as defined, made by a REIT or resident controlled company (International Financial Reporting Standards subsidiary of a REIT).	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). Distributions are deductible if 90 percent or more of the distributable profits are declared or distributed as dividends in CR-REITs and entrusted management REITs.

Asia Pacific and Africa

Australia	Hong Kong	India	Japan
REIT-level income tax (contd...)			

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
REIT-level income tax (contd...)			
		– A qualifying distribution will be allowed as a deduction from the REIT's or controlled company's income, provided that at least 75 percent of the gross income received by or accrued to the REIT consists of rental income. The 75 percent requirement refers to the preceding year's gross income; unless the REIT or controlled company is formed or established during the year, in which case the 75 percent requirement refers to the year in which established or formed. Rental income is specifically defined in section 25BB of the ITA for this purpose. – The qualifying distribution deduction is limited to taxable income before taking into account the deduction of any assessed losses brought forward and capital gains included in taxable income. It follows that assessed losses may be carried forward. • The deduction of the qualifying distribution from income may not exceed taxable income and is therefore limited. Accordingly, the qualifying distribution deduction cannot create a tax loss and any excess cannot be carried forward. • Income from any investments (other than investments in a REIT or controlled company) held by the REIT or controlled company may be subject to double taxation as: – That investment entity incurs corporate income tax on its receipts – The after-tax receipts are distributed to the REIT/ controlled company and are included in income. Where this income is distributed, it could constitute a qualifying distribution provided all the requirements are met resulting in the REIT being tax neutral – The ultimate dividend declared by the REIT or controlled company is recharacterized as a taxable dividend in the hands of the property investor.	

Asia Pacific and Africa

Australia	Hong Kong	India	Japan
REIT-level income tax (contd...)			
REIT-level capital gains tax			
• Net capital gain (if any) included in taxable income of trust. • A 50 percent capital gains tax discount may be available to individuals and trusts. • A 33 percent capital gains tax discount may be available to complying superannuation funds. • Non-residents are exempt from tax for capital gains and losses in relation to non-taxable Australian assets. No discount applies to taxable capital gains. • Under the deemed capital rules, if the trust makes a valid election, certain assets (including 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).	None	• A REIT shall be liable to tax on capital gains in accordance with the provisions of the ITA relating to that. • The taxation of capital gains arising on assets other than listed securities (except units) and units of mutual funds shall be as under: – Capital gains rising on long-term capital assets shall be liable to tax at the concessional rate of 20 percent (plus applicable surcharges and taxes) and that arising on short-term capital assets shall form part of the regular taxable income and be taxed accordingly (maximum rate of tax of 30 percent plus applicable surcharges and taxes). – For this purpose, an asset held at least for 3 years shall qualify as a long-term capital asset. Otherwise, it will be a short-term capital asset. • For listed securities (except units) and units of mutual funds, there are case-specific concessions with respect to period of holding so as to qualify as a long-term capital asset as well as rates of tax.	Treated the same as ordinary income.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
REIT-level income tax (contd...)			
		• The disposal of allowance assets (immovable property/related assets on which tax allowances were claimed) will result in recoupments. To the extent that the REIT or controlled company has a tax loss, the loss may shelter the recoupments. • There will be no future tax allowances on immovable property. However, allowances on movable assets may still be claimed. If these assets are sold, there may be recoupments or scrapping allowances depending on the proceeds received. • In certain circumstances, an amount received by or accrued in respect of a financial instrument must be included in the REIT's or controlled company's income. • To the extent that a REIT or controlled company does not distribute all of its income, the REIT or controlled company may still be subject to income tax.	
REIT-level capital gains tax			
• No capital gains tax on the transfer by the REIT of real estate property because the REIT is considered engaged in real estate business, meaning all of its real property is considered as ordinary assets. As a result, gains from disposal of real property are ordinary income subject to ordinary income tax. • Transfer of real estate property classified as capital assets 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 of the local stock exchange are subject to capital gains tax at the following rates: i. Five percent – not over PHP100,000 ii. Ten percent – amount in excess of PHP100,000	No capital gains tax.	Capital gains and losses on the disposal of immovable property, shares in a REIT and shares in a property company must be disregarded.	• 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 dividends in CR-REITs and entrusted management REITs. • Additionally, the sale of certain tainted assets, such as housing or non-business land, is subject to a capital gains surtax of 33 percent, including a resident surtax.

Asia Pacific and Africa

Australia	Hong Kong	India	Japan
Withholding tax			
• The trustee must withhold tax in relation to the Australian source income distributions to foreign unit holders. • A 30 percent withholding tax for unfranked (sourced from untaxed profits) dividend income and 10 percent on interest income distributed to non-resident 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). • 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 gains 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. • For a non-MIT, a 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.	None	• REITs shall withhold tax at 5 per cent in case of non-residents and 10 per cent in case of for residents, on interest income distributed to the unit holders. • The dividend received by the REIT from the SPV shall be received minus the dividend distribution tax of about 20 percent, which is payable by the SPV. • Such dividends shall not be liable to any withholding at the time of its onward distribution by the REIT to the unit holders. • See 'Tax at Shareholders' level for details.	• For corporate unit holders and foreign individual unit holders of listed J-REITs, 15.315 percent until 31 December 2037 (and 15 percent thereafter). For foreign individual unit holders, an applicable treaty may reduce the tax rate. • For domestic individual unit holders of listed J-REITs who own less than 3 percent of issued units, 20.315 percent until 31 December 2037 (and 20 percent thereafter). From 1 January 2014 until 31 December 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 1 January of the year in which the account is established. • For individual unit holders of listed J-REITs 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 J-REITs (excluding the open-end, unlisted J-REITs incorporated by way of the public offering which is applicable to the same withholding tax rate as listed J-REITs), 20.42 percent until 31 Dec 2037 and 20 percent thereafter.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Withholding tax			
• 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.	• Withholding tax at the prevailing corporate tax rate is applicable on distributions made by S-REITs, 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.[15]	• South African investors do not face a withholding tax on dividends received as the dividends are fully taxable in the hands of the investor. • Foreign investors will be subject to dividends' withholding tax as of 1 January 2014. The current rate is 15 percent (subject to Double Taxation Agreement (DTA) application, where applicable).	• A 15.4 percent tax for distributions to resident individuals • no withholding tax for distributions to resident corporations • A 22 percent tax for distributions to non-residents, which may be reduced under the applicable tax treaty.

15. This concessionary withholding rate of 10 percent was extended in the 2010 budget for distributions made up to 31 Mar 2015. Thereafter, the withholding rate will be the prevailing corporate tax rate at the time unless this concession is again extended.

Asia Pacific and Africa

Australia	Hong Kong	India	Japan
Withholding tax (contd...)			
• For an MIT, foreign investors in a country with which Australia has an effective exchange of information (EOI) on tax matters[16] 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. • A 10 percent final withholding tax applies for distributions made by MITs holding only eligible green commercial buildings constructed after 30 June 2012. The rate applies to distributions to foreign investors in EOI countries. • For foreign investors in a country with which Australia does not have an effective EOI, the trustee of an MIT is required to withhold final tax at the rate of 30 percent.			
Conversion into REIT status			
Not applicable.	No special transition regulations.	There are no specific regulatory or tax provisions for conversion of an existing trust into a REIT.	No special transition regulations.
Registration duties			
• No capital duty. • Stamp duty: i. transfer of land in Australia at rates of up to 5.75 percent. ii. 0.6 percent for transfer of shares and units transfers of shares in certain land rich entities subject to rates of up to 5.75 percent on the value of the land held.	• 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). • A stamp duty of 0.2 percent 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.	Most of the Indian states levy a stamp duty on the acquisition of real estate, payable by the purchaser. A registration charge is also levied on registering the immovable property in the name of the buyer.	• 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 J-REIT 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: – Four percent (3 percent for land and residential buildings through 31 March 2015) on the taxable base. If a J-REIT satisfies the certain conditions, the taxable base of the real estate acquisition tax is reduced to two-fifths of the taxable base through 31 March 2015 (this special reduction does not apply to warehouses and land underlying warehouses).

16. There are currently 60 EOI countries.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Withholding tax (contd...)			
Conversion into REIT status			
Not applicable.	Not applicable.		No special transition regulations.
Registration duties			
• 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, a local government unit and social security agencies. • On stamp duty: i. The transfer of real estate 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.	• No capital duty. • Stamp duty (3 percent) on the acquisition of Singapore properties. S-REITs may apply for a remission from stamp duty for acquisitions made on or before 31 March 2015.[17] • S-REITs need to register for the Goods and Services Tax (GST) if their rental income from Singapore non-residential properties in a 12-month period exceeds SGD1 million. • Self-accounting of GST by S-REITs on the acquisition of Singapore non-residential properties from GST-registered suppliers.	Transfer duty is payable on a once off basis when a REIT purchases a new property.	• A 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. • A 4.6 percent acquisition tax if purchased by an ordinary company; 30 percent reduction on acquisition tax for all types of REITs if real estate in Korea is purchased by 31 December 2014. With the passage of the legislative bill to amend the Korean tax law regarding acquisition tax, the proposed amendment to terminate 30 percent reduction of acquisition tax has been confirmed and will thereby take effect on or after 1 January 2015. The congressional committee on taxation has approved this amendment and it should be promulgated in late December.

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

Asia Pacific and Africa

Australia	Hong Kong	India	Japan
Registration duties (contd...)			
• REITs must register for Goods and Services Tax (GST), and remit GST on: – Rental income from non-residential properties located in Australia; and – Sale income from new residential properties located in Australia if, in a 12-month period, that income exceeds AUD$75,000 (excluding GST). • If REITs are registered for GST, they can recover GST incurred on their business acquisitions provided the acquisitions do not relate to: – Deriving exempt (i.e. input taxed) rental income on residential properties located in Australia; – Deriving exempt sale income on existing residential properties located in Australia; and – Making exempt financial supplies (subject to certain exceptions where recovery may be allowed in whole or in part).			
State and local tax			
• Stamp duty: i. Transfer duty will be imposed at 0.6 percent of the greater of the consideration for transfer of units or their unencumbered market value if: a. The unit register of the trust is kept in New South Wales or South Australia. b. If the unit register is not kept in Australia, the manager (or, if there is no manager, the trustee) of the unit trust scheme is a company taken to be registered in New South Wales or South Australia, a foreign company with a registered office in South Australia or a natural person resident in New South Wales or South Australia.		The local authorities charge a tax on immovable properties known as property tax, as well as other taxes and levies.	

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Registration duties (contd...)			
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.			
State and local tax			
	Not applicable.	Not applicable.	

Asia Pacific and Africa

Australia	Hong Kong	India	Japan
State and local tax (contd...)			
ii. Landholder duty and/or trust acquisition duty at rates up to 5.75 percent may be charged on certain dealings in the units of the trust if the trust directly or indirectly (through downstream entities) holds land in any of the Australian States or Territories with values above prescribed thresholds (ranging from nil to AUD2 million). • Land tax and local council rates may also be imposed and will vary depending on the jurisdiction.			
Other benefits of REIT status			
Parties to the REIT			
		• The sponsor, trustee and manager are defined as parties to the REIT. • A REIT can have up to three co-sponsors having an individual net worth of INR200 million and a consolidated net worth of INR1000 million. • The sponsor shall have at least 5 years of experience either in development of real estate with at least two projects completed or in fund management in the real estate industry. • The trustee shall be registered with the SEBI under the SEBI (Debenture Trustees) Regulations and have the required means with respect to infrastructure, personnel, etc. • The manager shall have a net worth of at least INR100 million in the case of a corporation or net tangible assets of at least INR100 million in the case of a limited liability partnership (LLP) as well as the prescribed entity-level and personnel-level experience.	

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
State and local tax (contd...)			
Other benefits of REIT status			
	Not applicable.		
Parties to the REIT			

Tax at shareholders' level – domestic corporate shareholders

Australia	Hong Kong	India	Japan
Ordinary dividends			
Subject to corporate tax rate of 30 percent for taxable portion of trust distributions.	Not subject to Hong Kong tax.	Dividends received by the sponsor from the REIT is exempt in the hands of the sponsor.	• Subject to withholding tax at 15.315 percent until 31 December 2037 (and 15 percent thereafter). • Dividend aggregated with other income is subject to tax at an effective rate of approximately 36-37 percent. • Withholding tax should generally be creditable against corporate income tax. • Does not qualify for the dividend- received exclusion.
Capital gains distributions			
Taxed at the corporate rate of 30 percent.		Capital gains distributed by the REIT to the sponsor shall not be taxable in the hands of the sponsor, as the same shall be taxed in the hands of the REIT at the applicable rate of taxes.	Treated same as the ordinary dividends.
Return of capital distribution			
Only taxable to the extent that it exceeds the cost base of the investment.	Not subject to Hong Kong tax.	Return of capital invested by the sponsor in the REIT is not taxable in the hands of the sponsor.	A portion of return of capital may be regarded as a deemed dividend or a deemed capital gain.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Ordinary dividends			
Exempt from dividend tax.	Subject to Singapore income tax at the current corporate tax rate of 17 percent.	• All distributions from a REIT or controlled company are taxable in full. The dividend exemption specifically excludes any dividends received from a REIT or a controlled company. • Domestic corporate shareholders will then be taxed on the dividends at 28 percent (current corporate income tax rate).	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.
Capital gains distributions			
	Not taxable unless they arise or are connected with activities of a trade or business carried on in Singapore.	Any amount distributed by a REIT will be regarded as a dividend in the hands of a shareholder. It follows that capital gains cannot be distributed. All dividends will be taxable in the hands of the shareholder.	
Return of capital distribution			
Amount in excess of the capital contribution shall be taxable.	Not taxable.	• A return of capital will trigger a capital gains tax event. The amount of capital distributed would need to be determined and communicated to the shareholder by the REIT affecting the return of capital. • The proceeds less the adjusted base cost based on the portion of capital distributed will need to be determined under the eighth schedule of the ITA. • For corporate shareholders, any capital gain resulting from a return of capital will be taxed at a rate of 18.65 percent.	Only taxable to the extent that the amount returned exceeds the amount contributed.

Tax at shareholders' level – domestic corporate shareholders

Australia	Hong Kong	India	Japan
Disposal of REIT shares/units			
Capital gains taxed at corporate tax rate of 30 percent.	Capital gains are not taxable unless on revenue account and arise from trade profession or business carried on in Hong Kong.	• Exchange of shares of the SPV for units of the REIT (on transfer by the sponsor into the REIT) shall not be taxable as capital gains. • The subsequent transfer of the such units of the REIT received in exchange for the shares of the SPV shall be taxable at the regular rate of tax applicable to capital gains (i.e. 20 percent plus applicable surcharges and taxes) on long-term and 30 percent (plus applicable surcharges and taxes) on short-term capital assets (cost and period of holding of the shares of the SPV to be considered/included in computing the capital gains on subsequent transfer of units). • In determining the period of holding of the units of REITs, the period for which the sponsor held the shares of the SPV shall be clubbed. • In computing the capital gains on the transfer of units of REITs, the cost of acquisition of shares of the SPV shall be considered as the cost of acquisition of the units of REITs for deduction purposes. • Capital gains on sale of units other than those received in exchange of shares of the SPV shall be taxed in the same way as for other unit holders, as discussed below.	• Capital gains taxed at an effective rate of approximately 36-37 percent that is paid by filing a tax return. • There is no withholding tax.
Income from foreign investment			
Same treatment as domestic investment above.	Not subject to Hong Kong tax.		• 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 J-REITs, which is attributable to the unit holder.
Interest income			
Subject to corporate tax at the rate of 30 percent		• Interest income is taxable in the hands of the sponsor at the rate of 30 percent (plus applicable surcharges and an education income tax levied over and above the basic tax (cess)). • Further, there shall be withholding of 10 percent by the REIT while distributing interest to the sponsor, the credit of which can be claimed by the sponsor in its return of income.	

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Disposal of REIT shares/units			
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. Five percent – not over PHP100,000 ii. Ten percent – amount in excess of PHP100,000.	Capital gains on disposal not taxable unless they arise or are connected with activities of a trade or business carried on in Singapore.	A capital gain or a capital loss is realized by the investor to the extent that the net proceeds of the disposal exceed the base cost. This is in terms of the eighth schedule to the ITA.	Capital gains on disposal 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.
Income from foreign investment			
Generally considered part of ordinary income subject to 30 percent income 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 applicable	Same treatment as ordinary dividends above.
Interest income			

Asia Pacific and Africa

Tax at shareholders' level – domestic individual shareholders

Australia	Hong Kong	India	Japan
Ordinary dividends			
On a progressive basis, up to 46.5 percent on share of the trust's net income for an income year.	Not subject to Hong Kong tax.	Dividends received by the resident unit holders from the REIT are exempt in the hands of the unit holders.	• Investors in listed J-REITs who own less than 3 percent of the issued investment units are subject to withholding income tax of10.147 percent until 31 December, 2013 and 20.315 percent until 31 December 2037 (and 20 percent thereafter). • From 1 January 2014 until 31 December 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 5 years from 1 January 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. • For investors in listed J-REITs who own less than 3 percent of the issued investment units - 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 20.315 percent until 31 December 2037 (and 20 percent thereafter). From 1 January 2014 until 31 December 2023, individuals will be allowed to contribute up to JPY1 million per year of listed stock into a non-taxable ISA. Dividends received on stock held in the ISA are 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. • Investors in listed J-REITs who own on or more than 3 percent of the issued investment units are subject to income tax at progressive tax rate of up to 55 percent.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Ordinary dividends			
• Subject to a 10 percent final tax. • Dividends received by an overseas Filipino investor are exempt from the dividends tax for 7 years from the enactment of the REIT Act.	• 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.	• All distributions from a REIT or controlled company are taxable in full. The dividend exemption specifically excludes any dividends received from a REIT or a controlled company. • Domestic individual shareholders will then be taxed on the dividends at the marginal income tax rate.	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 to 41.8 percent, including surtax).

Tax at shareholders' level – domestic individual shareholders

Australia	Hong Kong	India	Japan
Interest income			
Subject to tax on a progressive basis up to 46.5 percent.		• Interest income is taxable in the hands of the resident unit holders at the applicable tax rates. • For resident unit holders, – the rate of tax is 30 percent (plus applicable surcharges and education cess) in the case of a corporation – slab-based rates of tax with a maximum of 30 percent (plus applicable surcharges and education cess) in case of individual unit holders. • There is a withholding tax of 10 percent by the REIT while distributing interest to resident unit holders. The credit can be claimed by such unit holders in their return of income.	
Capital gains distributions			
Taxed on a progressive basis up to 46.5 percent. The capital gain will be eligible for 50 percent CGT discount if the asset had been held by the REIT for more than 12 months.		Capital gains distributed by the REIT to the unit holders shall not be taxable in the hands of the unit holders, as the same shall be taxed in the hands of REIT at the applicable rate of tax as discussed above.	Treated same as the ordinary dividends.
Return of capital distribution			
Only taxable to the extent it exceeds the cost base of the investment.	Not subject to Hong Kong tax.	Return of capital invested by the unit holders in the REIT is not taxable in the hands of the unit holders.	A portion of return of capital may be regarded as a deemed dividend or a deemed capital gain.

Asia Pacific and Africa

	Philippines	Singapore	South Africa	South Korea
Interest income				
Capital gains distributions				
		Not taxable unless they arise or are connected with activities of a trade or business carried on in Singapore.	Any amount distributed by a REIT will be regarded as a dividend in the hands of a shareholder. It follows that capital gains cannot be distributed. All dividends will be taxable in the hands of the shareholder.	
Return of capital distribution				
		Not taxable.	• A return of capital will trigger a capital gains tax event. The amount of capital distributed would need to be determined and communicated to the shareholder by the REIT affecting the return of capital. • The proceeds less the adjusted base cost based on the portion of capital distributed will need to be determined under the eighth schedule of the ITA. • For individual shareholders, any capital gain resulting from a return of capital will be taxed at a rate of 13.32 percent.	

Asia Pacific and Africa

Tax at shareholders' level – domestic individual shareholders

Australia	Hong Kong	India	Japan
Income from foreign investments			
• 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.	Not subject to Hong Kong tax.		• 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 J-REITs, which is attributable to the unit holder.
Disposal of REIT shares/units			
• Capital gains taxed on a progressive basis up to 46.5 percent. • Entitled to 50 percent discount on capital gains if held for more than 12 months.	Capital gains not taxable unless on revenue account and arise from trade profession or business carried on in Hong Kong.	• Tax on capital gains arising from disposal units of REIT is dependent on whether such units qualify as long-term or short-term capital assets. • The gains on REIT units held as long-term capital assets at the time of transfer are exempt from tax, whereas those held as short-term capital assets are liable to a 15 percent, plus applicable surcharges and taxes. • The REIT units shall qualify as long-term capital assets when held for at least 36 months before transfer. Otherwise, they shall be short-term capital assets.	• Capital gains on disposal are subject to taxation separately from other income to which progressive income tax rates apply at 20.315 percent until 31 December 2037 (and 20 percent thereafter). • From 1 January 2014 until 31 December 2023, individuals will be allowed to contribute up to JPY1 million per year of listed stock into a non-taxable 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.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Income from foreign investments			
Subject to the graduated income tax rates ranging from 5 percent to 32 percent.	• 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 applicable.	Same treatment as for ordinary dividends if such income is distributed as a dividend.
Disposal of REIT shares/units			
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. Five percent – not over PHP100,000 ii. Ten percent – amount in excess of PHP100,000.	Capital gains on disposal not taxable unless they arise or are connected with activities of a trade or business carried on in Singapore.	A capital gain or a capital loss is realized by the investor to the extent that the net proceeds of the disposal exceed the base cost. This is in terms of the eighth schedule of the ITA.	• Disposal of listed shares: i. Minor shareholder[18]: Subject to a 22 percent (including surtax) capital gain tax (exempt if share transfer made through the Korean Stock Exchange). ii. Major shareholder: Subject to a 22 percent (including surtax) capital gain tax (33 percent if the shares are sold within 1 year of the acquisition date). • Disposal of non-listed shares: i. Minor shareholder: Subject to a 22 percent (including surtax) capital gain tax. ii. Major shareholder: Subject to a 22 percent (including surtax) capital gain tax (33 percent if the shares are sold within 1 year of the acquisition date).

18. A shareholder, including related parties, owns less than 2 percent 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

Australia	Hong Kong	India	Japan
Ordinary dividends			
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 (sourced from taxed profits). • Tax on dividends to non-residents are subject to reduction under double tax treaty. No further tax is generally levied on such interest or dividend portion. • Trustees 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. • For non-MITs, a tax of 30 percent is withheld by the trustee from distributions to non-resident companies (except for Australian branches). Foreign unit holders taxed on an 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, a 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.[19] Other investors are subject to reduced 15 percent final withholding tax.	Not subject to Hong Kong tax	Dividends received by the foreign unit holders from the REIT is exempt in the hands of the unit holders.	• Subject to a 15.315 percent withholding tax until 31 December 2037 (and 15 percent thereafter). • Individuals who own 3 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 (excluding the open-end unlisted J-REITs incorporated by way of the public offering which is applicable to the same withholding tax rate as a listed J-REITs), subject to 20.42 percent withholding tax until 31 December 2037 and 20 percent thereafter. • In general withholding tax should be a final tax. • An applicable treaty may reduce tax rate.

19. There are currently 60 EOI countries.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Ordinary dividends			
• 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.	• 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.[20] 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.	Dividends declared by a REIT to foreign shareholders will be subject to dividends' withholding tax as of 1 January 2014. The current rate is 15 percent (subject to DTA application, where applicable).	• 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.

20. The concessionary withholding tax of 10 percent was extended in the 2010 Budget for distributions made to 31 Mar 2015.

Tax at shareholders' level – foreign shareholders

Australia	Hong Kong	India	Japan
Interest income			
Subject to 10 percent interest withholding tax.		Interest income in the hands of foreign unit holders is taxable at the rate of 5 percent, which shall be withheld by the REIT while distributing such interest income.	
Capital gains distributions			
Taxed on same basis as above.		Capital gains distributed by the REIT to the unit holders shall not be taxable in the hands of the unit holders, as the same shall be taxed in the hands of REIT at the applicable rate of tax as discussed above.	Treated same as the ordinary dividends.
Return of capital distribution			
Taxable to extent return exceeds cost base.	Not subject to Hong Kong tax	Return of capital invested by the unit holders in the REIT is not taxable in the hands of the REIT.	A portion of return of capital may be regarded as deemed dividend or deemed capital gain.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Interest income			
Capital gains distributions			
	Not taxable unless they arise or are connected with activities of a trade or business carried on in Singapore.	• Capital gains and capital losses are disregarded on disposals of immovable property, a share in a REIT or property company. • Where a recoupment is distributed, this will also be seen to form part of the qualifying distribution and a dividend received by the foreign shareholder. Dividend withholding tax will be levied as of 1 January 2014 at a rate of 15 percent (subject to DTA application, where applicable).	
Return of capital distribution			
Amount in excess of the capital contribution shall be taxable. Some cases may qualify preferential tax treatment provided by a tax treaty, if applicable.	Not subject to tax.	• Where a foreign resident receives any payment for the disposal of immovable property (or interest in immovable property), the amount of tax to be withheld is as follows: – 5 percent of the amount where the foreigner is a natural person – 7.5 percent of the amount where the foreigner is a company – 10 percent of the amount where the foreigner is a trust. • In certain instances, a dividend may result from return of capital distributed to a foreign shareholder. This dividend will be subject to a dividend withholding tax of 15 percent (subject to DTA application, where applicable).	Only taxable to the extent that the amount returned exceeds the amount contributed.

Asia Pacific and Africa

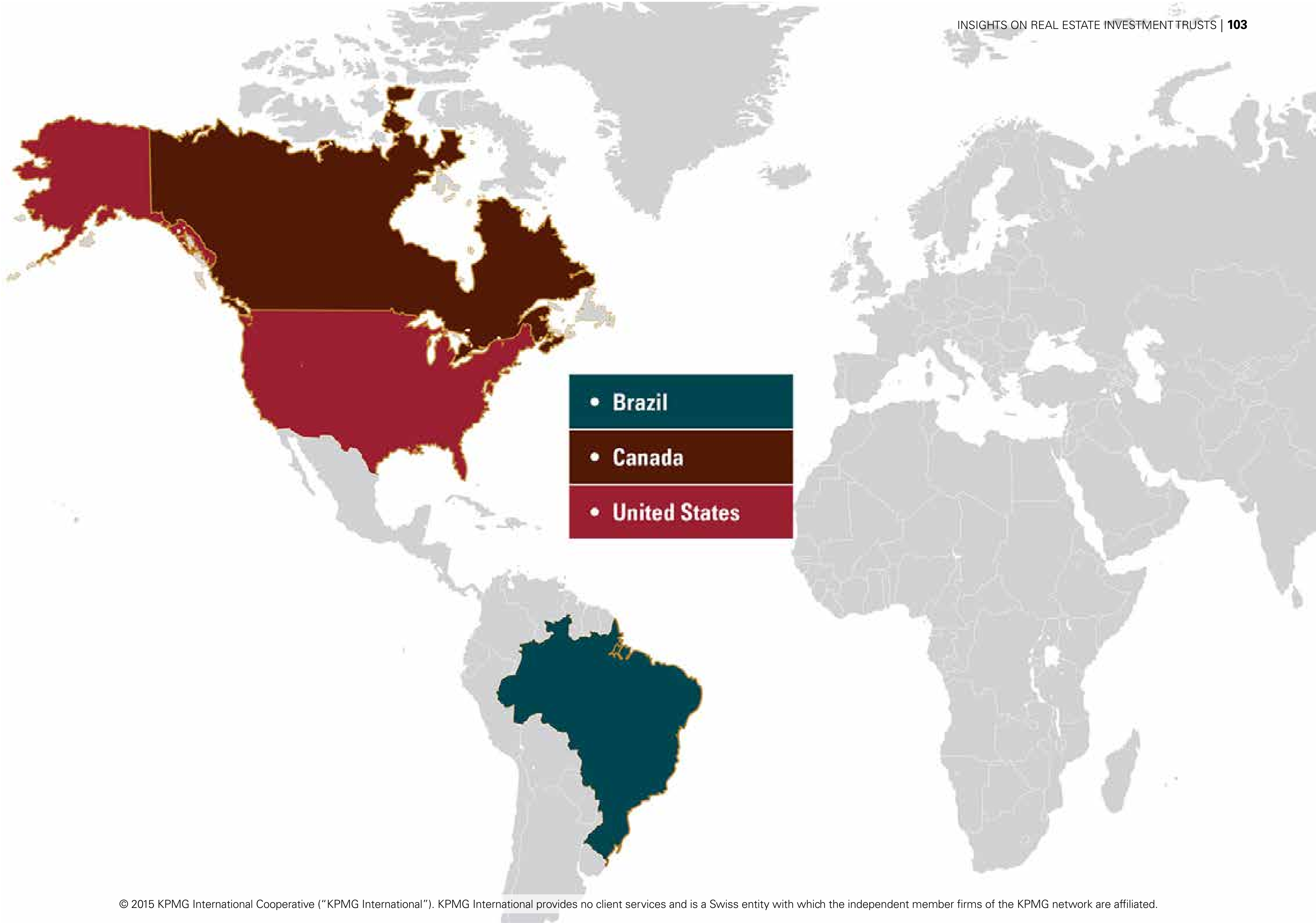
Tax at shareholders' level – foreign shareholders

Australia	Hong Kong	India	Japan
Capital gains on disposal of REIT units			
Please see "Disposal of REIT shares/units" below.		• The tax on capital gains arising from disposal capital of REIT is dependent on whether such units qualify as long-term or short-term capital assets. • The gains on REIT units held as long-term capital assets at the time of transfer are exempt from tax, whereas those held as short-term capital assets are liable to a 15 percent tax, plus applicable surcharges and taxes. • The REIT units shall qualify as long-term capital assets when held for at least 36 months before transfer. Otherwise, they shall be short-term capital assets.	
Income from foreign investments			
Not taxed if distributed income is foreign sourced.	Not subject to Hong Kong tax		• Subject to the same tax treatment as described under 'Dividends' above. • Withholding tax on dividends described above may be reduced by the foreign tax suffered by J-REITs, which is attributable to the unit holder.
Disposal of REIT shares/units			
• 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.	Capital gains not taxable unless on revenue account and arise from trade profession or business carried on in Hong Kong.		• Capital gains on disposal are not subject to capital gains tax provided that the unit holder does not own more than 5 percent (2 percent if the units of the J-REITs are unlisted) of the units in public J-REITs at the last day of the fiscal period immediately prior to the fiscal period in which the transfer of the J-REITs units takes place. • The above rates may be reduced by an applicable treaty.

Asia Pacific and Africa

Philippines	Singapore	South Africa	South Korea
Capital gains on disposal of REIT units			
Income from foreign investments			
Foreign Individuals and corporations are not taxable on income from sources outside the Philippines.	• 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.		
Disposal of REIT shares/units			
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. Five percent – not over PHP100,000 ii. Ten percent – amount in excess of PHP100,000.	Capital gains on disposal not taxable unless they arise or are connected with activities of a trade or business carried on in Singapore.	• Where a foreign resident receives any payment for the disposal of immovable property (or interest in immovable property), the amount of tax to be withheld is as follows: – 5 percent of the amount where the foreigner is a natural person – 7.5 percent of the amount where the foreigner is a company – 10 percent of the amount where the foreigner is a trust.	• 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 that 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 5 years and in the year when the shares are officially transferred. ii. Such share transfer is made on the Korean Stock Exchange.

Americas


• Brazil
• Canada
• United States

Americas

Description

Brazil	Canada	United States
Year Enacted		
1993	2007	1960
Governed by or under supervision		
By Federal Law No. 8,668/1993 and Comissão de Valores Mobiliários (CVM) Instructive No. 472/2008, among other relevant federal laws.	By the federal Income Tax Act (ITA).	By the US Internal Revenue Code and the Treasury regulations promulgated thereunder.
Formalities and procedure		
• 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, the securities and exchange commission of Brazil. • The applicable legislation requires that a duly authorized entity be 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.	• A REIT is typically structured to qualify as a mutual fund trust (MFT) as defined in the ITA. • If a trust qualifies as an 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 an MFT from the beginning of its first taxation year. • An MFT must have a tax year ending 31 December or 15 December by election.	• 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 made such election in a previous taxable year. • A REIT must adopt a calendar year as its tax year.
Legal form and share capital		
• FII's are not considered legal entities in Brazil. • Legally, FII's are condominiums in which investors 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. • The 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 (which resembles articles of association).	• 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.	• 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.
Restriction on shareholdings		
The FII will be deemed as a legal entity and be taxable in cases where the FII invests in real estate projects where the constructor, developer or partner is also a quota-holder in the FII and where they own, individually or along with related parties, more than 25 percent of the FII quotas.	• 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 one unit is less than Canadian dollars (CAD)25 and ii. units having an aggregate fair market value of not less than CAD500. • An 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.	• 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.

Americas

Brazil	Canada	United States
Mandatory listing on stock exchange		
Listing is optional. The FII may or may not be listed on the stock exchange or over-the-counter (OTC) markets.	• 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 an 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.	None.
Restrictions on activities and investments		
• It is mandatory that an 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 – units of other FIIs. • 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).	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[21] that are qualified REIT properties[22] 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[23] 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 vi. dispositions of eligible resale properties.[24] • 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 iii. dispositions of real or immovable properties that are capital properties.	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.

21. 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; 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.
22. 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.
23. 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.
24. 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.

Americas

Brazil	Canada	United States
Restrictions on activities and investments		
	• 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. Also, investments in the trust must be 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: i. The investing of its funds in property other than real property or an interest in real property. ii. The acquiring, holding, maintaining, improving, leasing or managing of any real property that is capital property of the trust. iii. Any combination of the foregoing activities. • 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. Also, 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.	• Other considerations include: – Taxable REIT subsidiaries[25] (TRSs) cannot operate or manage lodging or health care 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). iii. Amounts from a tenant which is owned, directly or indirectly, 10 percent or more by the REIT (except certain leases with a TRS). • 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.

25. 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.

Americas

Brazil	Canada	United States
Leverage		
Units in the FII must be fully paid-in (i.e., it is not possible for quota-holders to invest in an FII through debt.	Not limited by legislation, but often by the constating document.	Not limited by legislation, but tax authorities may impose limits on amount of related party leverage.
Distribution on operative income		
The FII must distribute at least 95 percent of its net income, calculated on a cash basis, twice per year (June and December).	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.	• 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.
Distribution in respect to capital gain resulting from disposed investments		
Same as above.	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.	• 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.
Timing of distribution		
Twice a year (June and December).	• 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.	• Generally, a REIT must make distributions in the tax year to which they relate or in the following tax year if declared before the REIT 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.

Americas

Brazil	Canada	United States
REIT-level income tax		
• Generally, FII's are not considered legal entities and are not subject to corporate income tax. • 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 a percent withholding tax (WHT) when transferred to the investor. However, INE paid to the FII is not subject to the WHT. • Financial income that is not derived from securities or bonds issued by real estate companies are taxed (34 percent rate).	• 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.[26] 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.	• 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.
REIT-level capital gains tax		
Capital gains related to real estate investments are not taxed at the level of the FII.	• A REIT must include 50 percent of any 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.	Follows the same system as ordinary income.
Withholding tax		
• In general, 20 percent of the WHT is applied to income (except dividend and INE) distributed from the FII to Brazilian unit holders. • Fifteen percent of the WHT is applicable to foreign residents who have invested in Brazil in accordance with the rules set forth by the National Monetary Council.	• 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.	• No withholding tax on distribution to US shareholders. • Generally, a 30 percent withholding tax rate applies to ordinary dividends to non-US shareholders unless a lower treaty rate applies. • Generally, a 35 percent withholding tax rate applies on REIT capital gain distributions to non-US shareholders. • See 'Tax at shareholders' level – foreign shareholders' for details.

26. 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).

Americas

Brazil	Canada	United States
Conversion into REIT status		
This type of conversion does not exist. This investment vehicle should be set up as an FII in full compliance with CVM rules.	Generally, no deemed or actual gain where a trust-owning property commences to qualify as a REIT.	• Potentially subject to corporate-level tax on the 'built-in gain' if property is acquired in a tax-deferred transaction from a taxable corporation. • This tax is due if the company sells an asset within 10 years (i.e. this tax is not applicable if the REIT holds the property for at least 10 years). • All of 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.
Registration duties		
• Apart from audit, registration and other administrative fees, REITs 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 mortgage-backed securities, or other typical real estate types of securities (i.e. CRI, LCI, LH and quotas of FII).	Some provinces and municipalities impose a transfer tax on the acquisition of real estate payable by the purchaser.	Most states apply transfer taxes on acquisitions of real estate. Furthermore, some states impose transfer taxes on acquisition of a controlling interest in an entity owning real estate.
State and local tax		
• ITBI is a local (municipal) tax that might be charged if FII buys real property (as mentioned on registration duties). • The Financial Transactions Tax (IOF) 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.	All provinces follow the federal income tax treatment of REITs.	• 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.
Other benefits of REIT status		

Tax at shareholders' level – domestic corporate shareholders

Brazil	Canada	United States
Ordinary dividends		
• 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, the corporate income tax rate. • If an FII invests in real estate companies, dividends distributed by such companies can flow directly to the FII quota-holders. In this case, such dividends will be exempted (since dividends are generally exempted). 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 rules. • Similarly, if real estate companies that are invested by the FII pay INE interest on net equity directly to the FII investors, such income will be taxable for the domestic corporate quota-holders. INE, in turn, should be a deductible expense for the real estate companies.	• Distributions of income of the REIT to unit holders residing 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. A 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.	• 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).
Capital gains distributions		
• Capital gains distributions are subject to a 20 percent WHT. • When received by the Brazilian corporation, capital gains will be subject to 34 percent corporate income tax (WHT can be used to offset it).	• 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.	• The shareholders treat a portion of a dividend designated as a capital gain dividend as a 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.
Return of capital distribution		
• The pure return of capital is not subject to taxation. • To the extent it exceeds the cost base, which gives rise to capital gains, the above rules apply.	• Distributions by a REIT in excess of the total of: i. taxable income (including any net taxable capital gains) 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.	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.

Americas

Brazil	Canada	United States
Disposal of REIT shares/units		
Disposal of the units held by a Brazilian investor is subject to a 20 percent WHT on the gain. When received by the Brazilian corporation, capital gains will be subject to a 34 percent corporate income tax (WHT can be used to offset it).	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.	Subject to corporate income tax (up to 35 percent).
Income from foreign investment		
	If designated by the trust, income from foreign investments will retain its source and the unit holders will be treated as having paid foreign tax (if any paid by the trust) so that the unit holder may claim a foreign tax credit against the Canadian taxes payable on such income.	

Americas

Tax at shareholders' level – domestic individual shareholders

Brazil	Canada	United States
Ordinary dividends		
• Income distributions made by the 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 quota-holders. In this case, these dividends will be exempted (since dividends are generally exempted). 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 directly to the FII individual investors, such income will be taxable at source at 15 percent w/h income tax.	• Distributions of income of the REIT to unit holders residing in Canada are 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.	• 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.
Capital gains distributions		
• A 20 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. • A 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 fund's units.	• 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.	• The shareholders treat the portion of a dividend designated as a capital gain dividend as a gain from the sale or exchange of a capital asset held for more than a year. It is taxed at the maximum federal rate of 15 percent (or 20 percent for individuals with income above a certain threshold). • The portion of a dividend attributable to the recapture of previously claimed depreciation deductions is subject to a 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.

Americas

Brazil	Canada	United States
Return of capital distribution		
• A 20 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. • A 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.	• 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.	Subject to tax as a gain on shares only to the extent the distribution exceeds current and/or accumulated earnings and profits of the REIT and shareholders tax basis in the REIT shares.
Disposal of REIT shares/units		
• Disposal of the units held by a Brazilian investor is subject to a 20 percent WHT on the gain. • The Brazilian individual will not be subject to further taxation on the income derived from disposal of shares.	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.	• Long-term capital gains (i.e. gains from sale of shares held more than one year) are generally subject to tax at a 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 are subject to ordinary income tax rates (maximum federal rate of 35 percent or 39.6 percent depending on income level).
Income from foreign investment		
	If designated by the trust, income from foreign investments will retain its source and the unit holders will be treated as having paid foreign tax (if any paid by the trust) so that the unit holder may claim a foreign tax credit against the Canadian taxes payable on such income.	

Tax at shareholders' level – foreign shareholders

Brazil	Canada	United States
Ordinary dividends		
• 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 the FII directly to FII foreign investors should be tax exempt. 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 INE, which is tax deductible, but subject to a 15 percent WHT when paid to the investor.	Twenty-five percent withholding tax applies to distributions of income by the REIT to non-resident unit holders, unless a reduced tax treaty rate applies.	Withholding 30 percent tax unless reduced under an applicable tax treaty.
Capital gains distributions		
A 15 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.	• 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 taxable Canadian property (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 23 March 2004.	• Capital gain distributions attributable to gains from sales or exchanges of US real property interests are generally subject to a 35 percent withholding tax and related US tax filing obligations. However, such dividends are taxed as ordinary dividends 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 1 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).

Americas

Brazil	Canada	United States
Return of capital distribution		
A 15 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.	• 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.	• The distribution is not subject to cross-border withholding tax if either: i. The REIT is a domestically controlled qualified investment entity.[27] 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 Internal Revenue Service (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.
Disposal of REIT shares/units		
• A 15 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. • A 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).	• 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.	Withholding 10 percent tax (35 percent tax on gain) applies to sale proceeds unless: • The REIT is not considered a US real property holding corporation.[28] • 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. • The REIT is domestically controlled during a specified testing period.
Income from foreign investment		

27. 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.
28. A US real property holding corporation is a corporation where the fair market value of the US real property interests held by such corporation is at least 50 percent of the corporation's assets that comprise US real property interests, non-US 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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