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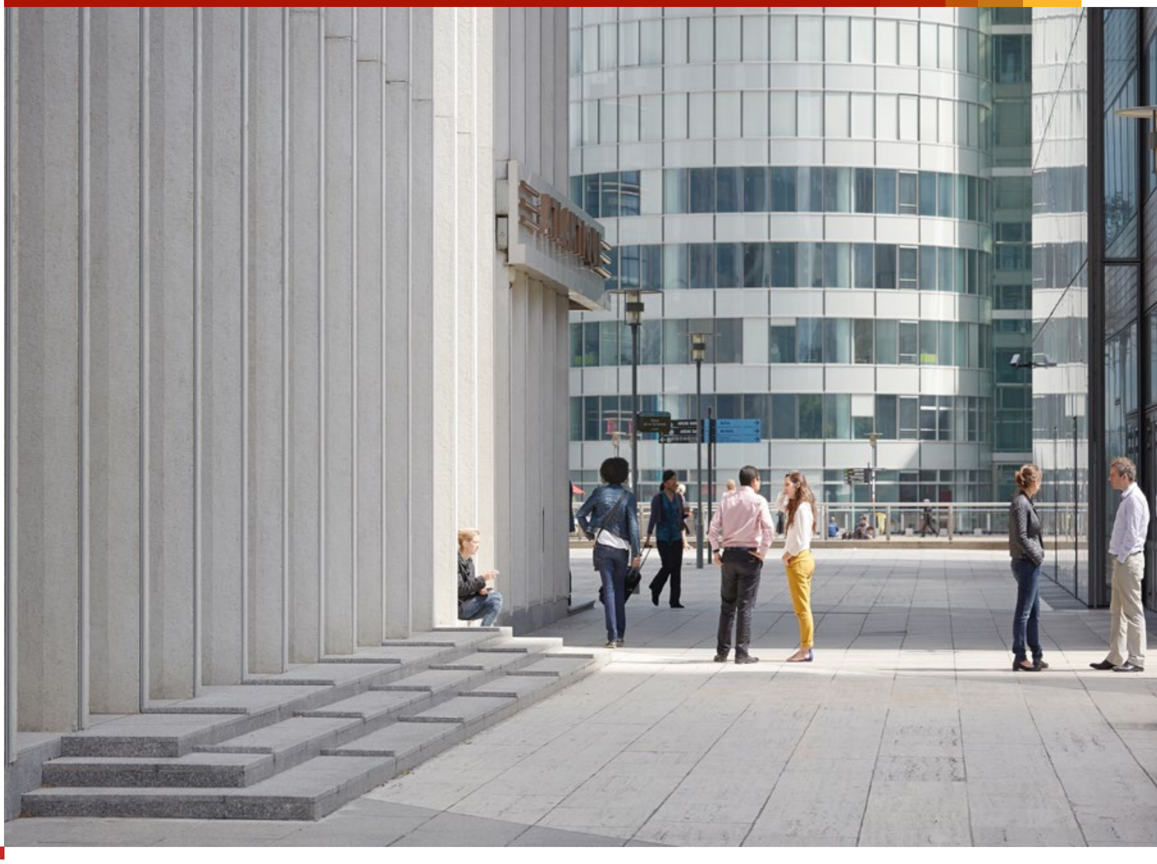
Compare and contrast
Worldwide Real Estate Investment Trust (REIT) Regimes



This booklet will keep you up to speed and allow you to compare the various global REIT regimes

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Introduction

During the past years Real Estate Investment Trusts (REITs) have had a strong come-back from the financial crisis and showed an impressive upswing. The REIT regimes responded to the ever changing market environment and are continuously evolving. In the low interest rate environment that followed they have produced attractive returns to their investors.

PwC has a global team of real estate tax and legal professionals who have conceived this booklet to keep you up to speed and allow you to compare the various regimes. As you will notice, it is a high level comparison of key attributes of selected REIT regimes. Since the last update of the publication some amendments have been made to REIT regulations in most of the described countries. Some territories like South Africa, Ireland, India, Hungary and Luxembourg have been added to the report.

The REIT contacts listed within each country section publish regularly in other publications as well and they will be delighted to assist you with any further requests on the local REIT model. Otherwise, please do not hesitate to contact me or your usual PwC contact directly.

Uwe Stoschek
Global Real Estate Tax Leader
PwC (Germany)
Tel: +49 30 2636-5286
uwe.stoschek@de.pwc.com

Australia

The Australian REIT market has a history dating back to 1971, when the first REIT was listed on the Australian Stock Exchange (ASX). The Australian REIT market is now very large, well established and sophisticated with approximately 70% of Australian investment grade properties securitised. As of April 2015, there were 49 listed REITs on the ASX with a market capitalisation of over AUD 120bn.

Joshua Cardwell
PwC (Australia)
Tel: +61 2 8266-0532
josh.cardwell@au.pwc.com

Christian Holle
PwC (Australia)
Tel: +61 2 8266-5697
christian.holle@au.pwc.com

Legal form

There are no specific REIT rules in Australia. Australian REITs are trusts that can be listed or unlisted. Australian REITs can be sector specific (e.g. industrial, office, etc.) or diversified funds. In 1998, the Managed Investment Scheme (MIS) rules were introduced into the Corporations Law. The MIS rules govern investment vehicles in Australia, including REITs. The rules deal with regulatory issues such as licensing and board composition for the manager rather than specific tests that must be satisfied to qualify as a REIT.

From an income tax perspective, most REITs are classified as Managed Investment Trusts (MITs). A MIT is a trust that satisfies certain ownership, management and activity requirements. The tax outcomes for MITs and their investors are currently under review. These changes will apply variously in respect of the 2014, 2015 and 2016 income years. At this stage the precise nature of these changes have not been confirmed but are likely to introduce changes to the ownership tests and introduce a non-arm's length income rule.

Capital requirements

There are no capital requirements for a REIT (if listed, however, it must meet ASX requirements). There are, however, capital requirements for the manager.

Listing requirements

There are no listing requirements. A REIT can be listed or unlisted.

Restrictions on investors

There are no investment restrictions on investors. However in order to qualify as an MIT, a foreign individual must not hold a 10% or greater interest in the REIT (directly or indirectly).

Asset/income/activity tests

Public unit trusts investing in land must do so for the purpose, or primarily for the purpose, of deriving rental income ('eligible investment business'). Public unit trusts that carry on a trading business such as developing land for sale, will not receive flow through treatment. Eligible investment business includes other passive, investment-type activities such as loans, portfolio share investment, derivatives, etc.

Restrictions on foreign assets

There are no restrictions on foreign assets.

Distribution requirements

Undistributed income or gains may be taxed at the highest marginal tax rate (currently 49%). Full distribution of income and gains by REITs generally occurs.

Withholding tax on Distributions

- Domestic: None
- Foreign: 30% or reduced amount of 15% if invest in a MIT via certain countries. A further reduction to 10% may apply in respect of certain newly constructed 'green buildings'.
- Treaty access: Yes, depending upon exact treaty wording. Limitations can arise if treaty requires beneficial ownership (due to trust legal form). Note REIT distributions are not

dividends and not covered under dividend articles.

Tax treatment at the investor level

Resident investors

Resident unitholders are liable to pay tax on the full amount of their share of the taxable income (including capital gains) of a REIT in the year in which they are presently entitled to the income of the REIT. This applies, irrespective of whether the actual distribution of the income from the REIT is paid in a subsequent year.

Distributions from the REIT retain their character and therefore the tax treatment of the various components may differ. For example a distribution from a REIT may include both foreign sourced income and gains (e.g. from properties located overseas) and Australian sourced income and gains. Distributions from an Australian REIT may also include a tax deferred component, capital gains tax ('CGT') concession component, a capital gain component and a foreign tax credit component.

Tax deferred amounts are generally attributable to returns of capital, building allowances, depreciation allowances and other tax timing differences. It is the practice of the commissioner of taxation to treat tax deferred amounts as not assessable when received, unless and until the total tax deferred amounts received by a unitholder exceed the unitholder's cost base of the REIT units. For CGT purposes, tax deferred amounts received reduce the unitholder's cost base of the REIT units and therefore affect the unitholder's capital gain/loss on disposal of those units.

Where a capital asset that is owned by the Australian REIT for at least 12 months is disposed of, the trust may claim a 50% CGT discount on the capital gain realised upon disposal of that asset. The CGT concession component of a distribution by the REIT will represent the CGT discount claimed by the trust in respect of asset disposals. The CGT concession component is not assessable when received by unitholders (and no CGT cost base adjustment is required).

The capital gain component of a REIT distribution must be included in the unitholder's net capital gain calculation.

Unitholders may be entitled to a foreign tax credit for foreign taxes paid by a REIT. The credit is applied against the Australian tax payable on foreign sourced income.

The disposal of REIT units will have CGT implications.

Non-resident investors

Non-resident unitholders are subject to Australian tax on their share of the REITs taxable income that is attributable to Australian sources (adding back the benefit of the CGT discount concession). Foreign sourced income can flow through an Australian REIT to a non-resident unitholder, tax-free. Distributions to non-residents of Australian sourced taxable income are subject to withholding tax (refer above). The disposal of REIT units can have CGT implications for foreign investors owning 10% or more of the REIT units (including indirectly).

Transition to REIT/Tax privileges

None

Belgium

The Belgian regulated real estate company (RREC or 'SIR' or 'Société Immobilière Réglementée') was created by the Law of 12 May 2014. The RREC is a separate REIT status in Belgium, which has been established alongside the status of closed ended real estate collective investment company or SICAFI or 'Société d'Investissement à Capital Fixe Immobilière' created by the Law of 4 December 1990 and for which the regulated framework has been established by successive Royal Decrees, the latest being the Royal Decree of 7 December 2010. RRECs are characterized by their operational activities and their organisation which distinguish them from SICAFIs. In addition, RRECs qualifying as ordinary commercial companies and not investment funds, are not subject to the Law of 19 April 2014 implementing in Belgium the Alternative Investment Fund Managers Directive (AIFMD). SICAFIs, on their side, are falling within the scope of the definition of alternative investment funds and are subject to AIFMD requirements. The status of REIT is regulated and optional (unlike the status of alternative investment fund and SICAFIs). RRECs are subject to the prudential supervision of the Belgian regulator, the Financial Services and Markets Authority (FSMA) and to various restrictions in terms of leverage, risk diversification and distribution requirements.

RRECs are subject to the standard corporate income tax rate at 33.99%, be it on a very limited lump-sum basis.

Currently, there are 16 public RRECs and 7 institutional RRECs registered with the FSMA. Belgian public RRECs represent a total market capitalisation of approximately EUR 9.3bn. Although the legal framework of the SICAFI regime remained in place, since the adoption of the Belgian REIT status, all SICAFIs have been converted in RRECs and in practice no SICAFIs are active anymore.

The Belgian government recently announced that a new Real Estate Investment Fund (REIF) dedicated to professional and institutional investors will be introduced (expected by year-end). It is the intention that the REIF would dispose of a more flexible regulatory regime than the SICAFI/RREC regimes (no legal obligation for public emission and stock quotation and flexible requirements in terms of leverage, diversification and distribution). The REIF would dispose of a similar tax regime as the Belgian SICAFI/RREC.

The legislator intends to also provide for a new WHT exemption for dividends distributed by a REIF (or a SICAFI/RREC) to foreign investors to the extent that the income distributed does not derive from Belgian real estate income or Belgian dividends and to reintroduce the withholding tax exemption for dividends distributed by the REIF/SICAFI/RREC to foreign pension funds.

Grégory Jurion
PwC (Belgium)
Tel: +32 2 710-9355
gregory.jurion@be.pwc.com

Legal form

Only a public limited liability company and a partnership limited by shares governed by Belgian law are eligible for the RREC status. Both of these entities are corporate bodies and have a separate legal personality according to Belgian company law.

Capital requirements

In principle, a RREC must have a fully paid-up share capital of at least EUR 1.2m. However, to obtain authorisation in practice, the required share capital for a public RREC is much higher (e.g. the quotation on the Euronext Stock Exchange requires a market capitalisation of EUR 15m).

Furthermore, the RREC must prepare a financial plan for the first three financial years as from registration, containing among others prospective balance sheets and profit and loss accounts as well as a minimum investment budget to meet its strategy during the first three years.

Moreover, a public RREC's debts on a statutory and a consolidated level cannot exceed 65% of its assets and the relating financial charge cannot be higher than 80% of total operational and financial income.

Listing requirements

The promoters of the public RREC, i.e. the persons who control the RREC, has to permanently ensure that at least 30% of the shares in the public RREC are held by the public.

In addition, the regular market rules of Euronext Brussels should be met by a public RREC, so that a sufficient number of shares would be available to the public.

Restrictions on investors

For public RRECs, there are no restrictions as to the type of investors or their country of residence, or any minimum or maximum shareholder requirements.

The institutional RREC's investors need to be professional or institutional investors and the institutional RREC needs to be exclusively or jointly controlled by a public RREC. There are no minimum or maximum shareholder requirements (except for the promoters of the public RREC controlling the institutional RREC).

Asset/income/activity tests

In principle, the exclusive purpose of a RREC is making ‘real estate' assets available for its users, either directly or via a participation in a company. This is, however, broadly defined and includes among others: real estate as such as well as rights in rem thereon, shares with voting rights issued by affiliated real estate companies, etc. Subsidiaries of a public RREC can apply for the RREC status, but it is an all or nothing approach: a public RREC may not control at the same time an institutional RREC and a real estate company that is not subject to the RREC regime.

To ensure a relatively safe investment environment, in principle a maximum of 20% of the public RREC's consolidated assets can be invested in the same project. This risk diversification requirement does not apply to properties subject to long-term commitments of a Member State of the European Economic Area (EEA).

Investments in other assets which are not considered to be ‘real estate' are allowed to a very limited extent (as to the duration and the amount of such investment) and provided that such business is authorised by the Articles of Association of a RREC.

Some activities are, however, not allowed. Neither a RREC nor its subsidiaries may act as a mere property developer, i.e. its activity (excluding occasional transactions) may not consist in constructing buildings itself or having them constructed in view of selling them prior, after or within a period of 5 years after construction.

Furthermore, a RREC may not grant loans to or provide guarantees to companies other than its subsidiaries (third-party companies).

Restrictions on foreign assets

There are no restrictions on foreign assets.

Distribution requirements

The RREC is obliged to distribute as a dividend at least 80% of its corrected net result, reduced by the amounts corresponding to the net decrease of its debts during the financial year.

Tax treatment at REIT level

Both public and institutional RRECs are Belgian tax resident companies and are subject to the standard corporate income tax at a rate of 33.99%. The taxable basis however is limited to non-deductible expenses (other than reductions in the value of shares and capital losses realised on shares), abnormal or benevolent benefits received and so-called secret commissions. The capital gains and the recurring income from the property are hence tax-exempt.

RRECs are subject to an annual tax on their net asset value. The tax rate is 0.0925% for public RRECs and 0.01% for institutional RRECs.

Withholding tax on distributions

In principle, dividends distributed by public and institutional RRECs are subject to 25% withholding tax (Belgian government recently announced its intention to increase the rate from 25% to 27%). However, provided that at least 80% (there are some transitional measures) of the public RREC's assets invested in immoveable property located in the EEA are allocated to residential use, a 15% withholding tax is applicable (Belgian government recently announced its intention to increase the rate from 15% to 27%).

The withholding tax on Belgian dividends received by a RREC is no longer creditable (nor refundable). The public RREC receiving dividends distributed by an institutional RREC may however apply for a withholding tax exemption based on the parent subsidiary directive as implemented into Belgian law.

As already mentioned above, the legislator intends to provide for a new WHT exemption for dividends distributed by a RREC to foreign investors to the extent that the income distributed does not derive from Belgian real estate income or Belgian dividends.

Tax treatment at the investor level

Resident investors

Private individuals and legal entities

In principle, the Belgian withholding tax, if any, on the dividends received by private individuals or by legal entities is the final tax so that no dividend income should be declared.

Capital gains realised by Belgian resident individuals on shares that are not held for business purposes are in principle tax-exempt, unless the transfer of the shares cannot be regarded as falling within the scope of the normal management of one's private estate. If the transfer of the shares cannot be regarded as falling within the scope of the normal management of one's private estate, any capital gain will be taxable at 33% (to be increased by municipal taxes).

Also, the capital gain realised upon the transfer of shares will be taxable at 16.5% (to be increased by municipal taxes) if the following cumulative conditions are met: (i) the transferor owned, at any time during the five years preceding the transfer, alone or with close family members, more than 25% of the shares of the Belgian company of which the shares are sold; (ii) the transfer is for a consideration; and (iii) the transfer is made to a company or an association that does not have its registered seat or principal place of business in a country located within the EEA.

Capital gains realised by individuals on the sale of shares held for business purposes are normally taxed at the general progressive income tax rate. However, in specific cases, a separate tax rate of 16.5% (to be increased by municipal taxes) can be applied.

Note that the Belgian government recently announced its intention to introduce a so-called "speculation tax". This would imply the taxation of capital gains realised by individuals on shares of listed companies held for a period of less than six months. Correspondingly, any losses realised on such share-holdings could be offset against the tax base.

Corporate investors

Since a RREC, although subject to corporate income tax, benefits from a regime that deviates from the common rules, the dividend distributed by a RREC cannot benefit from the participation exemption and will in principle be taxable at 33.99%. However, provided the bylaws of the RREC state that annually at least 90% of the net revenue will be distributed to the shareholders, the participation exemption can be applied to the extent that said revenue stems from dividends meeting the subject-to-tax condition. For a RREC, the latter exception is less relevant as the majority of the income would consist of real estate income.

Any withholding tax levied on the dividend payments can be credited (and is refundable), provided that the dividend is included in the taxable basis of the beneficiary company and to the extent that the dividend distribution does not cause a reduction in value or a capital loss on the shares.

As a RREC does not meet the so-called subject-to-tax condition, the capital gains realised on the disposal of the shares would in principle be fully taxable.

Non-resident investors

Private individuals, legal entities and corporate investors

As mentioned above, dividends distributed by RRECs are in principle subject to 25% withholding tax (cf. section withholding tax on distributions).

Based on article 4 of the OECD Model Tax Treaty, a RREC should be eligible for treaty protection as it can be considered to be a resident for tax treaty purposes. After all, a RREC is subject to corporate income tax in Belgium, albeit the taxable basis is significantly reduced (notional tax basis). Note however that treaty access should be determined on a case-by-case basis.

Transition to REIT/Tax privileges

When an existing company obtains RREC status, it is deemed to be liquidated for tax purposes (so-called 'exit tax'). In case of transformation into a RREC or a merger, split or partial split involving a RREC, the unrealised capital gains and the hidden reserves are not taxed at the standard corporate income tax rate of 33.99%, but at 16.995% (half the normal rate). There is, however, no such reduced rate for capital gains realised upon contribution into, or sale to, a RREC. The conversion of a SICAFI into a RREC does not trigger exit tax.

The contributions in cash or in kind (e.g. real estate) made to a RREC benefit from an exemption from proportional registration duties. Only the fixed duty of EUR 50 will be due.

Brazil

The Real Estate Investment Funds in Brazil (BR-REITs) are regulated by Law 8.668/1993. The Law was published on June, 25th, 1993 and has been amended a couple times since.

Ana Luiza
PwC (Brazil)
Tel: +55 11 3674-2665
ana.luiza@br.pwc.com

BR REITs are investment funds regulated by Law 8.668/1993. Additionally, as investment funds, BR REITs are also subject to regulation by the Brazilian Securities Exchange Comission ("Comissão de Valores Mobiliários – CVM") act 472/2008.

BR-REITs are incorporated under the form of a condominium and in accordance with CVM regulation can invest in real estate properties, (rural, commercial or residential) securities related to any real estate asset or receivables, including other real estate fund and companies investing into real estate.

In the past years Brazil has experienced a large development and increase of investments in the Real Estate market. This resulted into a significant increase in investments into BR-REITs as well. In fact, in 2008, emissions of BR-REITs summed for BRL 677 million while on 2013 this amount reached BRL 6.407 million.

Although currently Brazilian high interest rates has turned a number of investors to search for fixed income investments, the development of BR-REITs on 2015 number of emissions (until May) reached BRL 2.433 million, still significantly higher than in 2008.

By May, 2015, Brazil had 262 BR-REITs which had a total equity of BRL 60.692 million. This number represents 25 times the BRL 2.453 million held by 63 BR-REITs on 2005.

Legal form

BR-REITs can only be established under the form of a condominium. As a result, BR-REITs does not have legal personality, although it may it is entitled to assume certain rights and obligations.

Capital Requirements

There are no minimal capital requirements for incorporating a BR-REIT. Capital of the fund as well as the underwriting procedure and deadlines must be established in the fund bylaws.

Fund bylaw may establish that capital contributions must occur in a single event or in different events, as established in an "investment compromise".

Capital contribution to the BR-REIT can be made either in kind or with real estate assets or rights.

In case of contributions with real estate assets, an evaluation report must be prepared by a specialized company and approved in quotaholders meeting.

BR-REITs requires previous authorization by the CVM, which is only granted upon subscription of all quotas of the fund or a part of the quotas if such possibility is expressly indicated in bylaws.

Listing requirements

BR-REITs may either be listed or not. If publicly offered, quotas of the fund may only be traded in the stock exchange or in over the counter market.

Restrictions on investors
There are no restrictions on investors. Investors located on tax haven jurisdiction may have a more burdensome taxation in relation to foreign investors located in non tax haven jurisdictions.

Asset/income/activity tests
BR-REITs are entitled to invest in real estate assets, shares or quotas of real estate companies and any property rights/bonds. BR-REITs may also invest into quotas of other BR-REITs/Funds of REITS.

Capital that due to schedule of developments is not invested into the above listed assets must be invested only in financial fixed income/ securities and derivatives regarding hedging of its own assets.

Despite the above, part of the capital may be permanently invested into investment fund quotas or fixed assets as to comply with liquidity requirements.

Assets invested by the BR-REITs cannot be subject to constitution of real leans.

Restrictions on foreign assets
The real estate acquired must be located in Brazil. CVM Ruling 555, which is expected to enter in force as from October/2015 has made more flexible for investment funds to invest into foreign assets. However, given the express prohibition for investments into foreign assets for BR-REITs, it is uncertain of the applicability of this new rule to BR-REITs.

Distribution requirements
BR-REITs must distribute to its quotaholders at least 95% (ninety five percent) of its profits each (cash basis) half-year, calculated according to the balance sheet of the results obtained on June 30th and December 31st of each year.

Tax treatment at REIT level
Revenue from real estate activities is tax-exempt in the FII's portfolio, regardless of whether that income is ordinary income or capital gains. The portfolio itself is not taxable including financial income arisen from real estate activity (real estate receivables, real estate funds' shares and other fixed income real estate bonds)

If BR-REITs carry investments into variable income, taxation will occur as per general rules applicable to Brazilian legal entities. Taxes withheld as indicated above may be offset from amounts withheld from beneficiaries when of the payment of earnings.

Additionally, if the BR-REIT invest in a real estate which has as developer, builder or partner a quotaholder or the BR-REIT which holds solely or with related parties more than 25% of the BR-REIT quotas or it will be taxed as a corporation for income tax purposes and, as such, income will be subject to taxation.

Acquisition of real estate assets and rights are typically subject to taxation by property transfer tax. Rate varies according to the municipality and asset/ right but typically range from 2% to 4%.

Property tax is also applicable depending on the municipality of the real estate. Although property tax may reach a maximum of 15% rates will typically range from 1% to 4%.

Withholding tax on local distributions
Earnings distributed by a BR-REIT to individuals, legal entities and non-resident individuals are subject to 20% withholding tax upon distribution of earnings.

Tax treatment at the investor level
Resident investors

Individual investors

Earnings distributed by the BR-REIT to individuals are subject to taxation at 20% WHT. No further payment of taxes is required by the individual.

Individuals may be exempt from this taxation provided certain conditions are met: (i) units negotiated in the stock market; (ii) at least fifty unitholders; (iii) interest lower than 10% in the BR-REIT.

Capital gains arisen from the disposal of BR-REIT shares are subject to income tax at 15% rate. If sold via Exchanges, there is no tax if the gross proceeds is less than BRL 20,000.

Corporate investors

While WHT rules applicable are the same as the ones applicable to individual (20% on gains), no exemption is provided. Additionally, earnings and capital gains should be incorporated into Corporate Income Tax Calculation Basis and potentially on other taxes, which would lead to a corporate taxation at 34%. Additionally transactional taxes on gross proceeds will levy at 4.65% rate.

Non-resident investors

A withholding tax of 15% is levied on the amounts distributed to non tax haven. In case of tax haven 20% rate apply.

Disposal of shares are subject to taxation at 15% rate for non tax haven and 20% for tax haven.

In case the sale of shares is carried in the stock exchange and the investor is not located into a tax haven jurisdiction, a 0% rate will apply on capital gains.

Transition to REIT/Tax privileges
Not applicable in Brazil.

Bulgaria

The Real Estate Investment Companies in Bulgaria ('BG-REITs') are regulated by the Special Purpose Investment Companies Act (the 'Act'). The Act was published on 20 May 2003 and has been amended several times since.

Orlin Hadjiiski
PwC (Bulgaria)
Tel: +359 2 9355-100
orlin.hadjiiski@bg.pwc.com

BG-REITs are public joint-stock companies which, in compliance with the Act, invest in real estates and raise funds by issuing securities. BG-REITs can carry out their activities lawfully only if licensed by the Bulgarian Financial Supervision Commission ('FSC'). BG-REITs established under the Act are exempt from corporate income taxation.

The adoption of the Act in 2003 was aimed at stimulating the real estate and investment markets. As at 12 August 2015 54 REITs are listed on the Bulgarian Stock Exchange – Sofia, of which 13 are listed on the stock exchange's regulated market, and the remainder, on the alternative market BaSE. The crisis put a hold on the development of Bulgarian REITs and since 2011 few new REITs have been registered while at the same time several REITs have exited the market. The combined market capitalisation of the thirteen REITs listed on the regulated market of the Bulgarian Stock Exchange at the end December 2014 was about BGN 562 million.

The majority of the BG-REITs are diversified, i.e. they are designed for investment in a broad variety of real estate. There are also specialised funds, e.g. eight BG-REITs specialise in agricultural land investments. Some of the BG-REITs are established for an indefinite period of time and some are term funds.

Legal form

A BG-REIT can be established only as a public joint-stock company. A BG-REIT can neither reorganise itself into another type of company nor change its scope of business.

Capital requirements

The registered capital of a BG-REIT must amount to at least BGN 500,000. It must be paid in full before the BG-REIT is registered and no contributions in kind are permitted.

Upon the incorporation of a BG-REIT, the constituent meeting is obliged to pass a resolution for an initial capital increase up to at least 30% of the initial share capital. This first capital increase can be performed only on the basis of a prospectus authorised by the FSC. The increase is to be effected through the issuance of rights entitling the holders to take part in the subscription of the increase. The founding shareholders do not have pre-emption rights in the initial capital increase.

In order to operate legitimately, REITs should receive a licence from the FSC. If a REIT does not commence operations within 12 months of issuing the licence, its licence would be revoked.

Listing requirements

BG-REITs are required to obtain a listing on a regulated market at the time of the obligatory share capital increase (see previous section). It is the rights related to the capital increase that must be listed first.

After the initial listing, REITs may migrate to a non-regulated segment of the stock exchange, which is at present the case with the majority of the REITs.

Restrictions on investors
There are no restrictions on investors.

Asset/income/activity tests
BG-REITs are entitled to invest in real estate and limited property rights in real estate, construction works and improvements, mortgage-backed bonds (up to 10% of their own funds), and service companies for their own needs (up to 10% of their own funds). BG-REITs may not acquire real estate that is subject to a legal dispute and may not guarantee obligations of other persons or provide loans.

Moreover, a BG-REIT may not perform directly the activities relating to the management and maintenance of acquired real estates, performance of constructions and improvements thereon, or, respectively, the collection of amounts resulting from acquired receivables. These have to be outsourced to one or more companies ('service companies'). BG-REITs may themselves invest in service companies under certain restrictions and within certain limitations.

Restrictions on foreign assets
The real estate acquired must be located in the territory of Bulgaria.

Distribution requirements
BG-REITs must distribute at least 90% of their adjusted accounting profits for the respective financial year as dividends, which are payable within 12 months as from the end of the financial year.

Tax treatment at REIT level
The profits of the BG-REITs are not subject to corporate taxation. However, BG-REITs are legally obliged to distribute at least 90% of their profits (so called distribution profits) as dividends. The income from dividends distributed by the BG-REIT is subject to taxation at the level of the shareholder. There is no flow through treatment of the income of the BG-REIT for Bulgarian tax purposes.

Local taxes and fees apply for BG-REITs. The transfer of real estate is subject to transfer tax of 0.1%–3% on the higher of the purchase price or the tax value (statutory determined value) of the real estate. The tax is paid by the buyer unless agreed otherwise. Further, there is a 0.01%–0.45% annual real estate tax levied on the higher between the gross book value and the tax value of the real estate (except agricultural land and forests) held by the BG-REIT. The tax value is determined by the municipal authority where the real estate is situated. Garbage collection fee is also collected. The exact rates of these local taxes and fees are determined by the municipality in which the property is situated.

Withholding tax on distributions
Dividends distributed by a BG-REIT to individuals are subject to a 5% withholding tax.

The 5% withholding tax applies to dividends distributed to non-resident corporate entities, unless these entities are residents of EU/EEA. No withholding tax is levied if the dividends are distributed to a corporate shareholder in Bulgaria or an EU/EEA country.

Non-resident individuals and corporate entities could lower or eliminate the withholding tax on dividends under the provisions of an applicable DTT.

Tax treatment at the investor level
Resident investors

Individual investors
Dividends derived from BG-REIT shares are subject to a final withholding tax of 5%.

Capital gains from the sale of the shares in the BG-REIT are exempt from tax if the sale was made on a regulated market of securities in the EU/EEA. If the sale was made off a regulated market in the EU/EEA, the capital gains are subject to 10% tax. The gain is determined as the difference between the acquisition price and the sales price of the shares.

Corporate investors
Dividends distributed by the BG-REIT would be included in the taxable result of the corporate shareholder subject to corporate income tax at a rate of 10%.

Capital gains from the disposal of shares in the BG-REIT (i.e. the difference between the acquisition price and the sales price of the shares) would be exempt from taxation if the disposal of the shares was done on a regulated market in the EU/EEA. If the sale was made off a regulated market in the EU/EEA, the capital gains would be included in the taxable result of the company and would be subject to 10% corporate income tax.

Non-resident investors

Individual investors
A withholding tax of 5% is levied on the gross amount of dividends distributed by the BG-REIT to a foreign individual.

Capital gains from the sale of the shares in the BG-REIT by foreign individuals are exempt from tax if the sale was made on a regulated market of securities in the EU/EEA. If the sale was made off a regulated market in the EU/EEA the capital gains are subject to 10% tax. The gain is determined as the difference between the acquisition price and the sales price of the shares.

Corporate investors
Under Bulgarian tax legislation, there is a 5% withholding tax on dividends distributed by the BG-REIT to a non-resident corporate entity. No withholding tax applies for EU/EEA shareholders.

Capital gains from the disposal of shares in the BG-REIT by a foreign corporate entity would be exempt from taxation if the disposal of the shares was done on a regulated market in the EU/EEA. If the sale was made off a regulated market in the EU/EEA the capital gains would be subject to 10% withholding tax on the difference between the acquisition price and the sales price of the shares.

Canada

Since 2007, Canada's income tax legislation has contained a specific set of rules that apply to listed REITs (the 'REIT Rules'). The REIT Rules were introduced as an exception to new provisions dealing with specified investment flow-through entities (i.e. certain publicly traded trusts and partnerships) (the 'SIFT Rules').

Entities subject to the SIFT Rules are subject to tax ('SIFT tax') in a manner similar to that of public corporations and are not entitled to the flow through tax treatment that is generally available to trusts and partnerships. In their legal form, REITs are mutual fund trusts ('MFTs').

Chris Potter
PwC (Canada)
Tel: +1 416 869-2494
chris.j.potter@ca.pwc.com

Chris Vangou
PwC (Canada)
Tel: +1 416 815-5015
chris.vangou@ca.pwc.com

David Glicksman
PwC (Canada)
Tel: +1 416 947-8988
david.glicksman@ca.pwc.com

Ken Griffin
PwC (Canada)
Tel: +1 416 815-5211
ken.griffin@ca.pwc.com

Those that qualify as REITs under the REIT Rules are subject to the flow through tax regime applicable to MFTs, provided they meet certain requirements. Most importantly, the REIT must distribute all of its income annually and the activities of the REIT must be passive in nature. The majority of REITs are sector specific (e.g. residential, office, retail, etc.). Others are involved in more than one sector. There are also unlisted or private REITs that are not subject to the SIFT Rules and that can be involved in a broader range of activities through controlled partnerships and corporations. Private REITs, which usually have at least 150 investors, are generally not subject to tax so long as they distribute 100% of their taxable income annually. This chapter only considers REITs that are subject to the SIFT Rules unless they comply with the REIT Rules – i.e. listed REITs.

The first modern Canadian public REIT was formed in 1993 with the REIT market reaching a reasonable size in the late 1990s. Prior to that time, there had been a few publicly traded REITs, but the vast majority of listed real estate enterprises were structured as taxable corporations. As discussed in more detail below, the REIT Rules that became law in 2007 severely restrict the nature of activities that a qualifying REIT may carry on either directly or indirectly. As of 1 January 2011, the SIFT Rules apply to all listed MFTs. The initial application of the SIFT Rules was deferred, in general, until 2011 for listed MFTs that were in existence on 31 October 2006, the day that the intention to introduce the SIFT Rules was announced by the Federal Government. A number of the listed MFTs that, prior to 2011, referred to themselves as REITs no longer qualified for exemption from SIFT tax under the REIT Rules, due to the nature of the activities that they carried on.

However, some non-qualifying REITs restructured before 2011 to bring themselves into compliance with the REIT Rules. The listed REIT market in Canada is small when compared to the total market capitalisation of the TSX, Canada's principal stock exchange. On August 7, 2015, there were 42 listed MFTs that referred to themselves as REITs with a market capitalisation of approximately CAD 66bn. Listed real estate corporations had a market capitalisation of approximately CAD 30bn at the same date. Similar to listed REITs in other countries, Canada's REITs generally provide predictable cash distributions and opportunities for capital appreciation.

Legal form

As noted above, REITs are formed as MFTs. MFTs may be closed-end or open-end funds.

Capital requirements
In order to list on the TSX, a REIT must have at least 1m free trading public shares, CAD 4m held by public shareholders and 300 public shareholders, each holding a board lot. If the operations of the REIT have a track record, the minimum net tangible asset ('NTA') requirement is CAD 2m. If the REIT is merely forecasting profitability, it will require a minimum NTA of CAD 7.5m.

Listing requirements
Closed-end funds must be listed on a designated stock exchange. Open-end funds are generally listed but there is no requirement to do so.

Restrictions on investors
Minimum number of investors
There must be at least 150 unitholders in order to qualify as an MFT. However, see listing requirements above.

Restrictions on non-resident investors
A REIT cannot be established or maintained primarily for the benefit of non-residents (ownership must be less than 50%).

Asset/income/activity tests
To qualify as a REIT, a trust must satisfy, throughout the entire year, certain property and revenue tests. The following rules apply to a REIT:
- The total fair market value of all non-portfolio properties (e.g. equity and debt of certain Canadian resident corporations, trusts or partnerships, and property used in carrying on a business in Canada) that are qualified REIT properties must be at least 90% of the total fair market value of all non-portfolio properties held by the trust.

Qualified REIT properties include real or immovable property, an eligible resale property, bankers' acceptance of a Canadian corporation, money, certain government debt or deposits with a credit union, a management subsidiary, a title subsidiary, or certain property ancillary to the earning of rental income and capital gains.
- At least 90% of gross REIT revenues must be from any combination of rent from real properties, capital gains from dispositions of real properties, interest, dividends, royalties, and income from disposition of eligible resale property.

Real property excludes depreciable property, other than buildings and ancillary property, and leasehold interests in such property.

Eligible resale property is a real or immovable property that is not capital property and that is contiguous to a particular real or immovable property or eligible resale property and is ancillary to the holding of that particular property.

Gross REIT revenues means the total of all amounts that are received or receivable in a taxation year by the entity in excess of the cost to the entity of any property disposed of in the taxation year. Accordingly, amounts such as recaptured depreciation will be excluded from this definition. For the purposes of determining gross REIT revenue, the amounts received or receivable from certain entities that have a particular character will retain that character.
- At least 75% of gross REIT revenues must be attributable to rents from, interest from, mortgages on, or capital gains from the disposition of, real properties.
- The fair market value of real properties, cash, bankers' acceptances, eligible resale property, debt or other Canadian government obligations must be at least 75% of the REIT's equity value.
- Investments in the trust are publicly listed or traded on a stock exchange or other public market.

In general, REITs must acquire, hold, maintain, improve, lease or manage real property (or interests therein) that is capital property, or invest its funds in other property. Other activities can be carried on through subsidiary entities, subject to asset and income tests.

The REIT Rules in their current form reflect amendments proposed by Canada's Department of Finance on October 24, 2012 and enacted in 2013. The new rules provide a reasonable safe harbour for unintended consequences resulting from holding any non-qualifying property and permit a degree of business activity to be conducted.

In addition, the following rules apply to a closed-end REIT:
- At least 80% of its properties must consist of real properties situated in Canada, cash, shares, marketable securities, bonds, debentures and certain other assets;
- At least 95% of its income must be derived from, or from the disposition of, real properties situated in Canada, cash, shares, marketable securities, bonds, debenture and certain other assets;
- No more than 10% of its property can consist of bonds, securities or shares of any corporation or debtor.

Restrictions on foreign assets
Closed-end REITs are subject to the restrictions described above. There are no restrictions for open-ended REITs.

Distribution requirements
There is no minimum distribution requirement. However, in order to avoid a tax liability at the REIT level, all of its taxable income, including taxable capital gains, must be paid or become payable to its unitholders each year.

Tax treatment at REIT level
REITs must be resident in Canada.

Taxable income of a REIT that is not paid or payable to unitholders is subject to tax at a combined federal and provincial rate ranging from approximately 40% to 55%. If the tests set out above under 'asset/income/activity tests' are not satisfied, certain types of income addressed by the SIFT

Rules will be subject to tax at combined federal and provincial corporate rates ranging from approximately 26% to 31% in 2015.

Withholding tax on Distributions

There is no withholding tax on REIT distributions to Canadian residents. Non- resident unitholders are subject to a 25% withholding tax (may be reduced to 15% by treaty) on distributions of income and capital gains, and a 15% withholding tax on distributions in excess of income and capital gains if the REIT holds mainly Canadian properties.

This 15% tax could be fully or partially recoverable, upon filing a special Canadian tax return, to the extent that the non-resident unitholder realizes a loss from a subsequent disposition of the REIT units.

Tax treatment at the investor level

Resident investors

Unitholders are subject to tax on income and taxable capital gains paid or payable to them by the REIT. Returns of capital are not taxable but reduce the tax cost of the units.

Non-resident investors

Non-resident unitholders are subject to withholding tax as described above. Capital gains realised on a disposition of REIT units are generally not subject to tax in Canada unless such units are characterised as 'taxable Canadian property'.

Finland

Finnish legislation provided a framework for collective investments in real property ('REFs') as early as 1997 (Act on Real Estate Funds ('REF Act'). However, no funds were set up under the REF Act, mostly due to unattractive taxation: no tax exemptions were available for the REFs, which consequently were subject to regular corporate income tax on all income.

However, after a lengthy lobbying effort by the industry, a tax exemption for such real estate fund, governed by the said REF Act, was introduced with effect from 1 January 2009 by the Finnish Act on Tax Incentives for certain Limited Companies Carrying on Residential Renting Activities (24.4.2009/299, 'FIN-REIT Act'). Despite the objections from the market participants, the tax exemption was only extended to real estate funds investing in residential property.

The introduction of the FIN-REIT Act was however subject to a state aid notification to the European Commission. On 12 May 2010, the Commission announced that the said tax exemption is not regarded as illegal state aid (subject to a minor adjustment in the legislation). Due to the notification procedure and the consequent amendments made to the FIN-REIT Act as a result, the FIN-REIT Act entered into force on 17 November 2010 with retroactive effect from 1 January 2010.

Under the REIT regime, qualifying REFs engaged in owning and renting of residential real property may make an application to be treated as REITs. A REIT is a tax-exempt entity in Finland. The REIT must, in order to claim the tax-exempt status, comply with requirements set out both in the REF Act and the FIN-REIT Act.

Samuli Makkonen
PwC (Finland)
Tel: +358 9 20 787-7752
samuli.makkonen@fi.pwc.com

Laura Peltonen
PwC (Finland)
Tel: +358 9 20 787-7719
laura.peltonen@fi.pwc.com

Legal form

The REIT must be incorporated as a Finnish public limited company.

Capital requirements

The minimum capital requirement for a REIT is EUR 5m.

Listing requirements

The shares of a REIT must be admitted to trading in a regulated stock exchange or in a multilateral trading facility within the European Economic Area. However, a REIT may be excused from this requirement for the first two years.

Restrictions on investors

Any one shareholder's shareholding in a REIT must be less than 10% of the REITs share capital.

Asset/income/activity tests

As mentioned above, only companies qualifying as REFs under the REF Act may apply to become REITs in accordance with the FIN-REIT Act. Therefore, a REIT must comply with both Acts.

Activities

A REIT is only allowed to carry on a ctivities relating to owning and renting of residential real property and certain ancillary activities, such as property management and maintenance. Property development on own account is also permissible. The REIT is allowed to manage cash needed to carry on permissible activities.

Assets

- A minimum of 80% of the REITs assets must consist of residential real property, as defined in the FIN-REIT Act, or of shares in mutual residential real estate companies ('MRECs'), i.e. companies, shares of which render the shareholder a right to possess and lease out certain defined premises owned by the MREC, and the right to rental income on a lease of the said premises) or comparable entities. In addition to these assets, the REIT is allowed to own certain other liquid assets as defined in the FIN-REIT Act and the REF Act. However, a REIT is not allowed to hold shares in subsidiary companies other than MRECs and comparable entities.

- Furthermore, there are notable restrictions on asset disposals (see below in 'penalties').

Other requirements
- The total debt of a REIT must not exceed 80% of the value of the REITs assets (as presented in the financial statements).
- The REIT must derive at least 80% of its net profits (excluding capital gains) from its rental activities. In case the REIT fails to satisfy this rule, a penalty charge may become payable (see below).
- After achieving the REIT status, the company must also:
  - have its shares traded in a regulated market (see above); and
  - distribute as dividends at least 90% of its net profits (see below). Distributions in other form than dividends are not permitted.
- Furthermore, any subsidiaries of the REIT must not become involved in business rearrangements deemed to have a tax avoidance purpose or other transaction of similar nature.

Restrictions on foreign assets
Any MRECs or comparable entities the REIT holds shares in must be resident in the European Economic Area.

Distribution requirements
The REIT must distribute at least 90% of its net profits, excluding unrealised gains, subject to restrictions set out in the Finnish Companies Act.

Tax treatment at REIT level
As mentioned above, a Finnish REIT is a tax-exempt entity. Subsidiaries of a REIT do not benefit from the REIT status and are hence subject to general taxation. However, the REIT is only allowed to hold shares in residential MRECs and comparable entities. Such entities are typically not in a tax paying position.

In respect to foreign income, a REIT is not (as a tax-exempt entity) able to receive credit in Finland from any withholding taxes paid at source.

The tax exemption of a REIT does not cover taxes other than corporate income tax. Therefore, for example, transfer taxes and real property taxes (where REIT holds real property directly) would be payable. Transfer tax is a percentage of the transaction price of equities and real property (2% regarding equities in real estate companies (including MRECs) and 4% regarding real property; the tax is calculated on 'transfer base', as defined in the Transfer Tax Act).

Tax treatment at the investor level
Resident investors

Individual investors
Dividends are fully taxable capital income at a rate of 30% concerning the part of the overall capital income of the individual which does not exceed EUR 30,000 during the year, and 33% for the part of capital income exceeding EUR 30,000 during the year. Capital gains from disposals of REIT shares are similarly fully taxable capital income (at a rate of 30/33%).

Corporate investors
Dividends are fully taxable income at the general corporate income tax rate (currently 20%). Also capital gains from disposal of REIT shares are fully taxable income.

Non-resident investors

Individual investors
Dividends from a REIT are subject to a withholding tax at the domestic rate of 30% or at a lower treaty rate, if applicable.

Capital gains from disposals of REIT shares could be subject to Finnish tax in case more than 50% of the REITs assets would directly consist of Finnish real property. However, in practice it is more likely that the REIT would own the real property via MRECs, in which case disposals of REIT shares should be exempt from Finnish tax.

Corporate investors
As a starting point, dividends from a REIT would be subject to a withholding tax at the domestic rate of 15/20%, depending on the type of the investor, or at a lower treaty rate, if applicable. For legal entities other than corporates, the domestic withholding tax rate is 30%.

Capital gains from disposals of REIT shares could be subject to withholding tax in case more than 50% of the REITs assets would directly consist of Finnish real property. However, in practice it is more likely that the REIT would own the real property via MRECs, in which case disposals of REIT shares should be, as a starting point, exempt from Finnish withholding tax.

Transition to REIT/tax privileges
Conversion tax
Where an existing company carrying on residential activities converts into a REIT, its assets are valued to their fair market value and any unrealised gains will be subject to tax at general corporate tax rate (currently 20%). Upon REITs application, the charge may be spread to be paid over a period of three years.

Penalty charges and cancellation of REIT status
In case the REIT fails to satisfy certain criteria mentioned above, tax authorities may impose penalty charges or cancel the REIT status.
- As mentioned above, a REIT must derive at least 80% of its income from its rental activities. If a REIT fails on this, a penalty charge of 20% will be levied on the shortfall.
- In certain cases, capital gains (calculated separately for tax purposes) upon disposals of real property assets will be subject to tax at the general corporate income tax rate, currently 20%. Capital gains are taxable if:
  - the real property assets are held for less than 5 years, or,
  - less than 5 years have elapsed from completion of a 'comprehensive renovation' of premises, where the cost of the renovation exceed 30% of the premises' acquisition cost for tax purposes, or,

- the company disposes of more than 10% of its real property assets.

- If a REIT fails to satisfy the conditions for the applicability of the FIN-REIT Act discussed above, its tax-exempt status may be cancelled. The tax authorities must give the company a reasonable opportunity to correct the failings, unless it is obvious that the conditions for the applicability of the FIN-REIT Act will not be fulfilled. However, if a REIT has acted intentionally or with the intent for significant gain, its REIT status will be cancelled in all cases.

France

France was one of the first (in 2003) European countries to introduce a REIT regime, which is known by its French acronym 'SIIC' for 'Sociétés d'Investissements Immobiliers Cotées'. The so-called SIIC regime is an optional (i.e. an election is required by the company to benefit from that regime) tax regime.

Since its introduction in 2003, the SIIC regime has been modified several times. Some of these changes aimed to close certain existing loopholes and some others to broaden the scope of this regime. The SIIC regime has now reached stability and maturity. SIICs have become key players on the French real estate market.

Bruno Lunghi
PwC (France)
Tel: +33 1 56 57 82 79
bruno.lunghi@pwcavocats.com

Philippe Emiel
PwC (France)
Tel: +33 1 56 57 41 66
philippe.emiel@pwcavocats.com

Legal form

The company must be incorporated under the legal form of a joint stock company or any other legal form eligible to be listed on a stock exchange.

Capital requirements

The share capital of a SIIC must amount to at least EUR 15 million.

Listing requirements

The shares of a SIIC must be listed on a French regulated stock market or on a foreign stock market that respects the provisions of Directive 2004/39/CE, dated April 21, 2004.

Restrictions on investors

Minimum number of investors

At the time the SIIC election is made, at least 15% of the share capital and voting rights must be held by investors who individually own (directly or indirectly) less than 2% of the share capital and voting rights of the SIIC.

Any investor, whether individual or corporate, other than a SIIC or a group of investors not acting in concert, may not hold, at any time, directly or indirectly, more than 60% of the share capital and voting rights of the listed parent company.

Restrictions on non-resident investors

There are no restrictions on non-resident investors.

Asset/income/activity tests

The SIIC regime is available to companies (subject to corporate income tax) whose main activity is to acquire or to build, directly or indirectly (i.e., through intermediary companies) real estate properties for the purposes of renting them. The SIIC regime is also available (upon election) to French subsidiaries carrying out an above-mentioned eligible activity, subject to corporate income tax, that are held at 95% or more by one or several SIICs or by one or several SPPICAVs or jointly by one (or several) SPPICAV and one (or several) SIIC.

Companies benefiting from the SIIC regime can carry out other activities provided they remain ancillary. The income deriving from these activities remains subject to corporate income tax at the standard rate of 34.43%.

Restrictions on foreign assets

There are no restrictions on foreign assets.

Distribution requirements

A SIIC must distribute at least 95% of its rental income, 60% of the capital gains realized and 100% of the dividends it received from its 95%-or-more-held French subsidiaries, which elected for the SIIC regime or from another SIIC or from a SPPICAV (provided certain conditions are met). The above distribution requirements apply only with respect to the income and the capital gains deriving from the primary, tax-exempted sector.

Dividend distributions made by SIICs are subject to the 3% contribution on dividend distributions. Nevertheless, as of January 1, 2014, according to the FTA guidelines, distributions made by a SIIC subsidiary to its parent-SIIC company, regardless of the amount of the distribution, and distributions made by a SIIC in order to respect its distribution requirements will be exempt from the 3% contribution.

Tax treatment at REIT level

A company that benefits from the SIIC regime is exempt from corporate income tax on the following items:

- Income deriving from:
  - the rental of real estate properties held either directly or indirectly through pass-through entities;
  - the sub-leasing of real estate properties, which are financed through a real estate financial lease agreement concluded or acquired on or after January 1, 2005.
- Capital gains realized on the disposal to non-related parties of:
  - real estate properties held either directly or through pass-through entities ;
  - rights in real estate financial lease agreements concluded or acquired on or after January 1, 2005;
  - shares in pass-through entities carrying out an activity similar to a SIIC;
  - shares in 95%-or-more-held French subsidiaries, which elected for the SIIC regime.
- Dividends received by a SIIC from:
  - its 95%-or-more-held French subsidiaries, which elected for the SIIC regime;
  - another SIIC or from a SPPICAV (in both cases provided certain conditions are met).

All the other income and capital gains realized by the SIIC belong, in principle, to the taxable sector and are subject to corporate income tax at the standard rate of 33.33% (or 34.43%, 36.9% or 38% if certain additional surcharges apply). These other income and capital gains are not subject to any dividend distribution requirements.

Dividends paid by a SIIC are subject to a 3% dividend tax, except where, as discussed above, the dividend is paid by a SIIC subsidiary to its parent-SIIC or whether the distribution is made pursuant to its distribution obligations.

Tax treatment at the investor level

French resident investors

Individual investors

Dividends paid by SIICs to individual shareholders are, in principle, subject to a 21% personal income tax as first installment.

These dividends are then subject to personal income tax at progressive rates (up to 45%, which can be increased, in certain cases, by the exceptional contribution of 3% or 4%) and the taxpayer is entitled to use the 21% personal income tax installment as a credit against his or her personal income tax liability.

Dividends paid by SIICs to individual shareholders are also subject to 15.5% social contributions (bearing in mind that a portion of it is tax deductible for the personal income tax computation).

Capital gains realized on the disposal of shares in a SIIC are subject to personal income tax at a progressive rate (up to 45%, which can be increased, in certain cases, by exceptional contribution of 3% or 4%) after:

- a 50% tax reduction if the shares have been held for at least 2 years and less than 8 years;
- a 65% tax reduction if the shares have been held for at least 8 years.

Capital gains realized on the disposal of shares in SIICs are also subject to 15.5% social contributions (bearing in mind that a portion of it is tax deductible for the personal income tax computation).

Corporate investors

Dividends from SIIC deriving from the tax-exempt sector are, in principle, subject to corporate income tax at the standard rate of 33.33% (or 34.43%, 36.9% or 38% if certain additional surcharges apply). However, these dividends can benefit from the participation exemption (meaning an effective corporate income tax rate of 1.67%, 1.72%, 1.85% or 1.9% depending on whether the additional surcharges apply) if the corporate shareholder holds at least 5% in the SIIC for at least 2 years. The benefit of the participation exemption on dividends from SIIC could be canceled by the next finance bill.

On the other hand, dividends from SIICs deriving from the taxable sector benefit from the domestic parent-subsidiary regime if certain conditions are met (5% shareholding requirement for at least 2 years).

Dividends paid by SIICs to French mutual funds (OPCVM and OPCI) are subject to French withholding tax at the rate of 15%.

Capital gains realized by institutional investors upon the disposal of SIIC shares are subject to either the standard CIT rate of 33.33%, (or 34.43%, 36.9% or 38% if the additional surcharges apply) or the specific long-term capital gain tax rate of 19% (or 19.63%, 21.04% or 21.67% if the additional surcharges apply).

To qualify for the lower long-term capital gain rate, the shares must have been held for at least two years and the shares must qualify as participating shares for accounting purposes, which means that the investor must hold at least a 5% interest in the SIIC.

Non-resident investors

Individual investors

An individual shareholder who receives dividends from a SIIC will be subject to French withholding tax at the rate of 30% (subject to a reduction under an applicable tax treaty).

Dividends paid by SIICs in a Non-Cooperative State or Territory ('NCST') are subject to French withholding tax at the rate of 75%.

Capital gains realized on the disposal of shares in a SIIC are tax-exempt if the individual shareholder holds, directly or indirectly, less than 10% in the SIIC.

If the individual shareholder holds, directly or indirectly, 10% or more of the SIIC, the capital gains (reduced in certain situations by an allowance for duration of holding) are then subject to French withholding tax, at the rate of 19% (except if the individual shareholder is from an NCST; in that case, the rate of withholding tax is 75%). If the individual shareholder is domiciled outside the EU, the capital gains are also subject to the 15.5% social contributions. It is likely that the next finance bill will re-introduce the 15.5% social contributions for the individuals domiciled in the EU.

Corporate investors
Dividends from SIICs are subject to French withholding tax at the rate of 30% (subject to reduction under applicable tax treaty).

By exception to the foregoing, dividends from SIIC are subject to French withholding tax at the rate of:
- 75% if paid to an entity in a NCST;
- 15% if paid to a mutual fund (which fulfills certain conditions) established in an EU country or in a country that has signed a tax treaty containing an administrative clause with France.

A 20% special levy is due when a SIIC pays a dividend out of its tax-exempt sector to a foreign corporate shareholder when the two following conditions are met:
(a) the foreign corporate shareholder holds, directly or indirectly, 10% or more of the financial rights in the SIIC; and
(b) the foreign corporate shareholder is either exempt from corporate income tax on the dividend received or is subject to corporate income tax at a rate lower than 2/3 of standard CIT rate (i.e. circa 11%).

Capital gains realized on the disposal of shares in a SIIC are tax-exempt if the corporate shareholder holds, directly or indirectly, less than 10% of the SIIC. If the corporate shareholder holds, directly or indirectly, 10% or more in the SIIC, the capital gains are then subject to French withholding tax either at the rate of 19% (if the corporate shareholder is established in an EU country, in Iceland and in Norway and if certain conditions are met) or at the rate of 33.33% in all the other cases (except if the corporate shareholder is from an NCST; in that case, the rate of withholding tax is 75%).

Transition to REIT/Tax privileges
Existing listed real estate companies electing for the SIIC regime must pay an exit tax of 19% assessed on the amount of the latent capital gains existing on the eligible SIIC assets at the time of entry into the SIIC regime (21.03% when the exceptional surcharge of 10.7% applies). This provision also applies when a 95%-or more- held French subsidiary (subject to corporate income tax) of a SIIC elects for the SIIC regime.

Suspension and exit from the SIIC regime
The SIIC regime is suspended when the 60% above-mentioned threshold (regarding maximum individual ownership) is exceeded at any moment during a financial year and that the situation is not regularized by the end of that financial year.

In such a case, the SIIC regime is suspended with respect to that financial year. Specific tax provisions apply when the SIIC regime is suspended.

There are various situations under which a SIIC exits from the SIIC regime. Adverse tax consequences apply in that case.

Germany

The German REIT Act ('REITA') was introduced in 2007. The introduction followed intensive lobbying by the German real estate industry, which felt that Germany needed to keep up with developments in other European Union (EU) countries.

German REITs ('G-REITs') are income tax-exempt stock corporations that must be listed on an organised stock market.

Uwe Stoschek
PwC (Germany)
Tel: +49 30 2636-5286
uwe.stoschek@de.pwc.com

Helge Dammann
PwC (Germany)
Tel: +49 30 2636-5222
helge.dammann@de.pwc.com

The initial phase of the newly introduced investment vehicle was difficult due to a weak IPO market. Lately, the EU driven reform of investment fund products strengthened property funds as the predominant competitors in the German maket for real estate investment product. The number of G-REITs has decreased to only three. The companies' market capitalisation amounts to EUR 1.6bn at a net asset value of EUR 1.5bn as of 31 July 2015.

By October 2015 there were no further REIT candidates, i.e. no pre REIT was registered.

Under German law REITs are not automatically regarded as alternative investment funds and therefore not generally subject to AIFMS regulation and supervision. A decision must be taken on a case-by-case basis depending on the strategy and business of the REIT.

Legal form

The only legal form that is permissible for a G-REIT is a joint stock corporation (AG - Aktiengesellschaft).

Capital requirements

The nominal capital of a G-REIT must amount to at least EUR 15m.

The G-REITs equity must not fall below 45% of the immovable property value as shown in the consolidated or the individual financial statements under IFRS (leverage provision).

Listing requirements

G-REITs must be listed on an organised stock market in Germany, the EU or the European Economic Area.

Restrictions on investors

Minimum number of investors

At least 15% of the shares must be freely available to the public (free float), with the further provision that the holders of these shares each hold less than 3%.

In regard to the remaining 85% of the shares, a single shareholder is not allowed to hold 10% or more in the G-REIT, directly. The shareholding requirement does not apply to indirect shareholdings.

Restrictions on non-resident investors

There are no restrictions on non-resident investors.

Asset/income/activity tests

At least 75% of the assets and earnings (held/derived by the G-REIT and its subsidiaries) must relate to real estate assets.

Side-line occupations (such as facility management) rendered to third parties may only be performed through wholly owned service corporations. Their assets and earnings must not exceed 20% of the G-REITs total assets/earnings.

The G-REIT may not trade in real estate, i.e. the G-REITs and its subsidiaries' proceeds from the disposal of immovable property in the last five fiscal years must not exceed half of the value of immovable property held on average during that period.

The aforementioned tests are carried out, based on the consolidated or the individual financial statements under IFRS.

Restrictions on foreign assets

There are no restrictions on foreign assets.

Distribution requirements

The G-REIT is obliged to distribute at least 90% of its profits (determined under German Commercial Code).

Tax treatment at REIT level

The G-REIT must be a German tax resident. G-REITs are income and trade tax-exempt (irrespective of whether the income is derived from real estate or non-real estate assets). The tax exemption applies retroactively from the start of the financial year in which the G-REIT is registered in the commercial register.

The G-REITs subsidiaries do not benefit from the tax exemption. They are subject to the general taxation rules.

Withholding tax on distributions

Dividend distributions by the G-REIT are subject to a 26.4% withholding tax (including solidarity surcharge).

If the G-REIT shares are held by resident individual shareholders, the withholding tax is final.

Resident corporate shareholders may credit withholding taxes or claim it back.

In case of non-resident shareholders, most German double tax treaties provide for a reduced withholding tax rate of 15%. The REIT Act stipulates that foreign corporate shareholders may not exercise their rights to a further reduction under a double tax treaty if the restrictive treaty requires a share-holding of 10% or more. Therefore, the international affiliation privilege, which grants further reduction to foreign corporate shareholders is regularly not applicable. Moreover, the EU Parent Subsidiary Directive does not apply, due to the G-REITs tax exemption.

Tax treatment at the investor level

Resident investors

Individual investors

Dividends derived from G-REIT shares held as private assets are subject to a final withholding tax of 26.4%.

In regard to capital gains derived from the disposal of G-REIT shares held as private assets, the following applies:

- if the shareholder did not hold 1% or more of the shares at any time during a five-year period prior to the disposal and
  - the shares were acquired before 1 January 2009, capital gains are only taxable (at the personal income tax rate of up to 47.5% including solidarity surcharge) if the shares are disposed of within one year after acquisition;
  - the shares were acquired after 1 January 2009, capital gains are subject to a final tax of 26.4% (irrespective of the holding period);
- if the shareholder held 1% or more of the shares at any time during a five-year period prior to the disposal, capital gains from shares are fully subject to personal income tax.

Dividends and capital gains derived by resident shareholders from shares held as a business asset are fully subject to personal income tax.

Corporate investors

Dividends and capital gains derived from the disposal of G-REIT shares are fully subject to corporate income tax at a rate of 15.8% (including solidarity surcharge).

Tax relief in order to avoid double taxation

REITs are obliged to distribute 90% of their profits. Dividends distributed may stem from non-taxed German properties held by the G-REIT itself, or from taxed income from foreign properties, or taxable subsidiaries.

In order to avoid double taxation, dividend distributions of a G-REIT are entitled to the same tax privileges that apply to ordinary dividends, to the extent that the REIT distributions stem from pre-taxed income (by definition of the REIT Act, income that has been taxed with German corporate income tax or a comparable foreign tax).

As a result, pre-taxed dividends will be 95% tax-exempt if received by a corporate taxpayer and 40% exempt in the hands of private individuals holding the REIT share as a business asset. In regard to individual shareholders holding the REIT shares as private assets, dividends are subject to the final withholding tax of only 26.4%. Therefore, a further relief does not apply.

Non-resident investors

Individual investors

Dividends are subject to German with-holding tax.

Capital gains from the disposal of G-REIT shares are only subject to personal income tax (on the total German source income) if the shareholder has held at least 1% of the shares in the G-REIT at any time within a five-year period preceding the disposal. Many German double tax treaties, however, usually provide for a tax exemption of capital gains in Germany.

Corporate investors

The same applies as for non-resident individual investors. If a taxable disposal is at hand (see above), corporate income tax at 15.8% (including solidarity surcharge) applies.

Greece

Greek REITs are special purpose entities whose main activity is investment in real estate assets prescribed by the Greek REIT law.

The Greek REIT law was introduced in December 1999 by L.2778/1999, but was subject to legislative amendments (L.4141/2013, L.4209/2013, L.4223/31.12.2013, L.4261/2014 and L.4281/2014) in order to adapt to the current economic circumstances and facilitate the establishment of REIT structures in Greece.

Vassilios Vizas
PwC (Greece)
Tel: +30 210 6874019
vassilios.vizas@gr.pwc.com

Legal form

The Greek REIT law provides for two types of REITs:

- Those having a corporate legal form (Real Estate Investment Companies or REICs). The REIC is a special type of societe anonyme company, which has the exclusive purpose of engaging in the management of an asset portfolio composed of real estate (mainly), securities and cash. REICs must obtain a listing on a recognised stock exchange operating in Greece (i.e. the Athens Stock Exchange).
- Those having a legal form similar to a unit trust (Real Estate Mutual Funds or REMFs). The REMF is actually a pool of assets composed of real estate and liquid financial instruments. REMFs are jointly owned by a number of investors and managed by a management company, which must have the form of a societe anonyme and is also a special purpose company. REMFs are not listed vehicles.

Capital requirements

For the establishment of a REIC, the company must hold a share capital of at least EUR 25m, fully payable upon incorporation.
The share capital of a REMF management company must be at least EUR 2.93m, fully payable upon incorporation. Its share capital, divided into registered shares, should be at least 51% owned by one or more financial institutions and/or insurance companies and/or companies offering investment services with a minimum share capital of at least EUR 2.93m.

Listing requirements

For REICs, a listing must be sought within two years from formation on a recognized stock exchange operating in Greece (i.e. the Athens Stock Exchange), provided that by the time of the listing at least 50% of the share capital of the company will be invested in real estate property. Such deadline may be extended, subject to the Capital Market's Committee approval, but it cannot exceed another two years in total. If the Company fails to list its shares on a recognized stock exchange operating in Greece (i.e., the Athens Stock Exchange), the Capital Market Committee will revoke its operation license and the REIC is put in liquidation. In case of a revocation of the operation license of the REIC, any tax benefits and favourable tax regulations provided are repealed as well.

One month prior to the listing of the REICs, investors that intend to acquire a participation (shares or voting rights) in such REIC (ranging from 10% to 66.6%), directly or indirectly, are obliged to announce such intention to the Hellenic Capital Market Commission and provide any information required, for the latter to decide on the suitability of the investor in order to ensure the prudent management and administration of the REIC.

The costs with respect to the initial listing of shares, on the Athens Stock Exchange, will depend on the value of shares, multiplied by a rate up to 0.04%.

Restrictions on investors

There are no restrictions on the identity of investors in a REIT. However, there are significant restrictions on the investments that the REIT itself may carry out.

Asset/income/activity tests

REIC

The available funds of a REIC must be invested in only:

- Real estate property located in Greece or another European Economic Area (EEA) Member State, exceeding 80% of the REIC's funds.

The concept of real estate property includes (a) subsidiaries, holding or participation companies that are at least 80% owned, provided that such companies are exclusively engaged in real estate activities and invest in real estate property in which a REIC may also invest directly, (b) companies being in a parent-subsidiary relationship with the REIC, at least 25% owned, provided that the subsidiary company is engaged in the acquisition, management and exploitation of property and its participation in the REIC is part of a common business strategy for the development of properties exceeding EUR 10m in value and c) a participation of at least 80% in UCITS investing in real estate investment companies, REITs and Alternative Investment Funds provided that said Funds have received an operating licence in an EU Member State and are subject to the legislation and supervisory authority in such EU Member State and its assets are invested in real estate.

- Real estate property is defined as property that may be used for commercial and generally business purposes (e.g. hotels, tourist residences, marinas), or the exploitation of residential properties not exceeding 25% of the total real estate investments.
- Money market instruments and securities.
- Surface rights over public properties, long-term assignment of use or commercial exploitation of properties (e.g. hotels, marinas, plots in special building zones etc.)
- Investments in real estate property in non-EEA Member States may not exceed 20% of total real estate investments.

A REIC can also invest in other moveable assets that serve the company's operational needs, provided that such assets do not exceed 10% in total of REICs assets.

Furthermore, the law provides for a number of restrictions on the nature of assets in which a REIT may invest, such as:

- Each individual property in which funds are invested may not exceed 25% of the total investment value.
- Property under development is allowed only to the extent that it is expected to be completed within 36 months from the issuance of the respective building permit or acquisition of property and that the budgeted remaining costs do not exceed 40% of the value of the property, which will be evaluated once works are completed.
- The REIC may not invest more than 25% in properties acquired under financial leasing contracts, provided that each contract individually does not exceed 25% of its total investments as well. Furthermore, no more than 20% of the total investments in real estate property may consist of properties for which the REIT does not hold full ownership.
- Properties acquired may not be sold in less than 12 months from the acquisition date, with the exception of residential properties and properties under construction.
- It should be noted that both the acquisition or disposal of real estate property must be preceded by a valuation thereof by a certified evaluator, and the price paid may not deviate (upwards for acquisition or downwards for disposal) more than 5% from their value, as determined by the certified evaluator.

REMF

The available funds of a REMF must be invested in only:

- Real estate property located in Greece or another European Economic Area (EEA) Member State. The concept of real estate property includes subsidiaries that are at least 90% owned, provided that such subsidiaries are engaged exclusively in real estate activities and invest in real estate property in which a REMF may also invest directly.

Real estate property is defined as property that may be used for commercial and generally business purposes: the definition seems to exclude residential projects and ownership of bare land.

- Money market instruments, even though this investment should not exceed 10% of the minimum share capital of the management company.
- Investments in real estate property in non-EEA Member States may not exceed 10% of total real estate investments.

Furthermore, the law provides for a number of restrictions on the nature of assets in which a REMF may invest, such as:

- Each individual property in which funds are invested may not exceed 15% or 25% for property units of the total investment value.
- Property under development is allowed only to the extent that it is expected to be completed within a reasonable amount of time and that the budgeted remaining costs do not exceed 25% of the value of the property, which will be evaluated once works are completed.
- The REMF may not invest more than 25% of its investments in properties acquired under financial leasing contracts, provided that each contract individually does not exceed 10% of the total investments as well. Furthermore, no more than 10% of

- the total investments in real estate property may consist of properties for which the REMF does not hold full ownership.
- Properties acquired may not be sold in less than 12 months from the acquisition date.
- It should be noted that both the acquisition or disposal of real estate property must be preceded by a valuation thereof by a certified evaluator, and the price paid may not deviate (upwards for acquisition or downwards for disposal) more than 5% from their value, as determined by the certified evaluator.
- Finally, there are several restrictions and rules as to the investment in other financial assets.

Restrictions on foreign assets
No specific restrictions, provided that the above asset tests are met.

Distribution requirements
The REIC is obliged to distribute on an annual basis at least 50% of its annual net profits. Exceptionally, and if so provided in the Articles of Association, the dividend distribution may be waived following a resolution of General Assembly for the purposes of either:
- forming a special reserve from profits other than gains, or
- converting profits into share capital and issuing free shares to share-holders.

Furthermore, the General Assembly may decide on creating reserves from capital gains for the purposes of offsetting losses incurred from the sale of securities with values lower than the acquisition cost.

The net profits of the REMF are distributed following the procedure as specified in the regulation of the REMF.

Tax treatment at REIT level
REITs are exempt from any income tax. Therefore, the tax accounting rules are not that relevant.

However, REITs are subject to a tax imposed on their average net asset value.

The tax rate is 10% of the respective intervention interest rate as determined by the European Central Bank, increased by 1 percentage point.

The tax is payable by the REIT, within the first 15 days of the month following the end of the respective semester.

Withholding tax on distributions
No withholding tax is levied on dividends distributed by REICs.

Tax treatment at the investor level
Private Investors

Taxation of current income (all income derived from REIT in holding phase)

Dividends distributed by REITs are tax-free in the hands of private investors.

To be noted, however, that such dividends will be subject to the Special Solidarity Contribution of up to 8% levied on individuals' income generated in the tax years 2015-2016. However, if the owner is a Greek company, further distribution of the relevant dividend income by such company may result in taxation imposed at the CIT rate (29%).

Taxation of capital gains (from disposal of REIT shares)

Individuals: Capital gains deriving from the sale of listed or non-listed shares by individuals are subject to a 15% tax. In the case of listed shares, said 15% capital gains tax is only imposed in case the individual participates in the share capital of the REIC at a percentage of at least 0.5% and the shares to be transferred have been acquired from 1 January 2009 onwards.

Said capital gains taxation may be eliminated under the provisions of a DTT.

Redemption of REMF units is exempt from taxation for individuals.
If the owner is a Greek company, the profit from disposal of a REIC is subject to CIT as part of its annual taxable profits.

Irrespective of whether the seller is an individual or Greek company, in the case of listed shares (i.e., once REIC becomes listed) a 0.2% transaction duty applies.

Furthermore, the redemption gains from a REMF unit is exempt only until such company distributes such gain to its own shareholders, in which case it is taxed at the CIT rate (29%).

Institutional Investors

Taxation of current income (all income derived from REIT in holding phase)

There are no special tax rules for the taxation of institutional investors on income from a REIT. Therefore, the provisions mentioned above in the private investors section equally applies in this respect, unless institutional investors enjoy a differentiated tax treatment themselves, depending on their legal form and residence.

Taxation of capital gains (from disposal of REIT shares)

There are no special tax rules for the taxation of institutional investors on income from a REIT. Therefore, the provisions mentioned above in the private investors section equally applies in this respect, unless institutional investors enjoy a differentiated tax treatment themselves, depending on their legal form and residence.

Transition to REIT/Tax privileges
The transition to a REIC may be effected in a tax neutral manner through corporate restructuring (e.g. mergers, divisions and spin offs).

With respect to tax privileges, the issuance of shares by a REIC/REMF parts and transfer of real estate property to the REIC or REMF is exempt from real estate transfer tax, and any other tax or duty in favour of the State or third parties.

Hong Kong

In Hong Kong, REITs generally refer to real estate investment trusts authorised by the Securities and Futures Commission (SFC) under the Code on Real Estate Investment Trust (the 'Code'), which was published in August 2003.

There are currently tent REITs with a total market capitalisation of approximately USD 26.1bn in July 2015. These REITs invested in different types of real estate, including office buildings, shopping malls, and hotels. Six of these REITs hold real estate predominately in Hong Kong, while the other four hold real estate exclusively in Mainland China. The first RMB-denominated REIT, with major assets in Mainland China, was listed in Hong Kong in April 2011.

KK So
PwC (Hong Kong)
Tel: +852 2289-3789
kk.so@hk.pwc.com

Legal form

An SFC-authorised REIT is required to be structured in the form of a trust. The REIT may hold real estate, directly or indirectly, through special purpose vehicles that are legally and beneficially owned by the REIT.

Capital requirements

There are no specific requirements as to the minimum capital, market capitalisation, etc.

Listing requirements

The REIT has to be listed on the Stock Exchange of Hong Kong Limited (SEHK) within a period acceptable to the SFC. The REITs in Hong Kong are subject to the listing rules of SEHK.

Restrictions on investors

The Code does not impose any specific restrictions that apply to the investors in a REIT. Both Hong Kong and overseas investors may invest in a REIT. There are no requirements on the minimum number of investors under the Code. Moreover, there are no restrictions on foreign investors.

Asset/income/activity tests

The REIT should primarily invest in real estate. The real estate may be located in Hong Kong or overseas. At least 75% of the assets must be income generating properties. Where the REIT invests in hotels, recreation parks or serviced apartments, the Code requires that such investments be held by special purpose vehicles.

The REIT is prohibited from investing in vacant land or engaging in or participating in property development activities (refurbishment, retrofitting, renovations, and certain property development activities excepted).

The REIT should hold its interest in each property for a period of at least two years, unless consent for an earlier disposal is obtained from the investors by way of a special resolution at a general meeting.

If the REIT indicates a particular type of real estate in its name, the REIT should invest at least 70% of its non-cash assets in such type of real estate.

Restrictions on foreign assets

There are no restrictions on foreign assets.

Distribution requirements

The REIT is obligated to distribute to unit holders as dividends each year an amount not less than 90% of its audited annual net income after tax.

Tax treatment at REIT level

An authorised REIT is exempt from Hong Kong profits tax under the Inland Revenue Ordinance of Hong Kong. However, where the REIT holds real estate in Hong Kong directly and derives rental income from that, such rental income will be subject to Hong Kong property tax.

Where the REIT holds real estate in Hong Kong indirectly via special purpose vehicles, such special purpose vehicles will be subject to profits tax at 16.5% (i.e. the tax rate for the year of assessment 2015/16) in respect of the profits derived from the real estate. Such special purpose vehicles would generally be exempt from property tax.

Income derived from real estate situated outside Hong Kong and capital gains are generally exempt from property tax and profits tax.

Dividends paid by a special purpose vehicle to another special purpose vehicle are generally exempt from profits tax.

Stamp duty

Hong Kong stamp duty is charged on transfers of real estate in Hong Kong.

The maximum rate of 8.5% applies where the transfer consideration or value of real estate amounts to HKD 21,739,130 or above.

Where shares in a Hong Kong company are transferred, Hong Kong stamp duty at the rate of 0.2% applies to the higher of the transfer consideration or the value of the shares.

Hong Kong stamp duty also applies to a lease of real estate in Hong Kong, generally at a rate of 0.25% to 1% of the average yearly rent, depending on the term of the lease.

Hong Kong introduced a Special Stamp Duty (SDD) with effect from 20 November 2010. Unless specifically exempted, any residential property acquired on or after 20 November 2010, either by an individual or a company (regardless of where it is incorporated), and resold or transferred within a specified period of time after acquisition, would be subject to SDD. The SDD payable is calculated by reference to the stated consideration or the market value, whichever is higher, at the following regressive rates for the different holding periods by the vendor or transferor before the disposal. The SDD rates were revised for any residential property acquired on or after 27 October 2012. All parties to a contract are liable to the SSD.

SSD rates for transfer of residential property

Period within which the residential property is resold or transferred after its acquisition	SSD rate (acquired between 20 November 2010 and 26 October 2012)	SSD rate (acquired on or after 27 October 2012)
6 months or less	15%	20%
More than 6 months but for 12 months or less	10%	15%
More than 12 months but for 24 months or less	5%	10%
More than 24 months but for 36 months or less	Not applicable	10%

Hong Kong introduced a Buyer's Stamp Duty (BSD) with effect from 27 October 2012. Unless specially exempted, a purchaser (any individual without Hong Kong permanent residence or any corporation irrespective of its place of incorporation) would be liable to BSD for transfer of residential property on or after 27 October 2012. BSD is charged at 15% on the higher of sales consideration or market value.

Withholding tax on distributions

There is no withholding tax on interest, dividends or distributions from a REIT in Hong Kong.

Tax treatment at the investor level

Taxation of current income

Distributions received from a REIT are not subject to any Hong Kong tax.

Taxation of capital gains

Profits tax

Gains on disposal of units in a REIT are exempt from Hong Kong profits tax if such gains are capital gains. An investor carrying on a trade or business in Hong Kong consisting of acquisition and disposal of units in a REIT is subject to Hong Kong profits tax in respect of any gains derived from disposal of the units in Hong Kong.

Stamp duty

Hong Kong stamp duty is chargeable in respect of the transfer of the REIT units at 0.2% of the transfer consideration (payable by the transferor and transferee at 0.1% each). In addition, a fixed duty of HKD 5 is currently payable on any instrument of transfer of units.

Transition to REIT/Tax privileges

There are no specific tax privileges and concessions during exit. However, there is a territorial concept of taxation and no capital gains tax generally. In addition, certain transactions undertaken by genuine foreign funds are exempt from Hong Kong tax.

Hungary

The Real Estate Investment Companies in Hungary ('HU-REITs') are subject to the general rules for Hungarian registered companies that is the Hungarian Civil Code and the Company Registration Act, while the conditions for the REIT status are regulated within the REIT Act. Due to their listing, HU-REITs are also subject to the Capital Market Act.

As far as the Alternative Investment Fund Managers Directive is concerned, it was implemented on 15 March 2014 by the amendment of Act XVI of 2014 on the Collective Investment Funds and their Fund Managers. Although, the aforementioned Act contains specific rules for real estate funds, HU-REITs are not exactly specified in the regulations and hence, currently it is understood that such Act does not apply to HU-REITs.

Paul Grocott
PwC (Hungary)
Tel: +36 30 9 480-832
paul.grocott@hu.pwc.com

Gergely Juhász
PwC (Hungary)
Tel: +36 30 689-5487
gergely.juhasz@hu.pwc.com

Traditionally, investments into real estate were done through project companies in Hungary. The HU-REIT is an investment vehicle in Hungary, which was introduced on 28 July 2011. The Government's aim was to enhance the real estate market in Hungary and wished to create a regime similar to the existing European real estate investment trusts.

Given the fairly high capitalization requirements and the weak market environment, at the time of preparing this section we are not aware of major transfer of investments into a HU-REIT.

Legal form

The only legal form that is permissible for a HU-REIT is a stock corporation (public company limited by shares). The HU-REIT has to be listed on a regulated market within the European Union.

There is no specification as to the company form of a Project Company (please see later). The wording of the law implies that foreign registered companies may also qualify for Project Company status.

Capital requirements

The nominal capital of a HU-REIT must amount to at least HUF 10 billion (approx. EUR 32 million). A HU-REIT can issue exclusively ordinary shares having a face value of at least HUF 10,000 each. A HU-REIT has to have a 25% ratio of public ownership on a regulated market and at least 25% of its registered capital has to be owned by more than 20 investors. Investors may include both small investors and large institutional investors, but the participation of credit institutions and insurance companies is limited to 10% of the issued shares.

The REIT Act stipulates a limit on debt financing (leverage provision). Thus, the HU-REIT's debt financing may not exceed 65% of the real property value as shown in the consolidated or the individual financial statements prepared under HU GAAP.

HU-REITs may own Project Companies that are one-man companies solely owned by a HU-REIT. Project Companies' debt financing may not exceed 70% of the real property value.

Listing requirements

HU-REITs are stock corporations that must be listed on a regulated stock market within the European Union. A HU-REIT may hold and operate its real estate portfolio directly, or, alternatively, through its 100% owned companies (Project Companies).

Restrictions on investors

At least 25% of the shares of the HU-REIT must be held by investors which each hold less than 5% (free-float). This restriction applies to both direct and indirect shareholdings. Investors may include both small investors and large institutional investors, but the participation and voting rights of credit institutions and insurance companies is limited to 10% of the issued shares. The shareholding / voting requirement does not apply to indirect shareholdings.

Asset/income/activity tests

A REIT's activity may comprise several real estate related services, trading and leasing, however, development of real estate falls outside of the Hungarian REIT regime.

HU-REITs have to limit their business activities to the sale, lease and operation of their own real estate, management of real estate and asset management. Project Companies may pursue exclusively sale and purchase of self-owned real properties and may not have any participation in any companies.

A HU-REIT may have shares exclusively in Project Companies, other HU-REITs and companies organizing building construction projects as main activity. In case of other HU-REITs the REIT's stake may not exceed 10%.

Furthermore, a HU-REIT may hold other assets exclusively in bank deposits at sight, term bank deposits, government securities issued by the Member States of the European Economic Area and OECD, debt securities issued by international financial institutions and securities introduced to recognized capital markets. The asset portfolio of a HU-REIT may also include derivative transactions.

At least 70% of the HU-REIT's total assets must consist of immovable property. Immovable property held is taken into account at its fair value. Furthermore, none of the value of the real properties (or shareholding in another HU-REIT) may exceed 20% of the total assets of the HU-REIT. The asset structure requirements are determined based on the consolidated financial statements under Hungarian GAAP. If consolidated financial statements do not have to be drawn up, the individual financial statements under Hungarian GAAP are used.

Restrictions on foreign assets

Not applicable

Distribution requirements

The HU-REIT is obliged to distribute the expected dividends (which is 90% of the distributable profit, unless the free cash's and cash-equivalents' sum is lower than such amount). The amount of profit is determined under Hungarian GAAP, as profit after tax. Project Companies must pay out 100% of their profit to the REITs.

Both REITs and Project Companies may not conclude any contracts that include any limitations to their dividend payments.

Tax treatment at REIT level

HU-REITs are in principle exempt from corporate income taxation. However, due to certain penalty like measures and the general anti-avoidance rules, the corporate income tax bases of the REITs still have to be calculated.

The HU-REITs' corporate income tax base is calculated according to the general rules, with the following differences. HU-REITs are not allowed to apply certain tax base adjusting items, most of which relate to tax base allowances. To prevent the erosion of tax bases within company groups, HU-REITs are not entitled to apply the corporate income tax exemption (on a pro-rata basis) for income earned from those related parties that do not fall under the scope of the REIT Act.

Hungary has a VAT system with a standard rate of 27%. Such VAT system does not provide special rules for HU-REITs. However, based on the general rules, with the exception of newly built buildings and lots eligible for construction, renting, leasing and selling real estate is exempt from VAT. In return such activities does not allow for the deduction of input VAT.

A taxpayer may opt for the VATable treatment of the above transactions. In this case the input VAT relating to such activities is deductible, but the taxpayer may not return to the VAT exempt treatment within five years following the last day of the calendar year in which it has opted for the VATable treatment.

Subject to the local municipalities' decision, on the basis of their business activities performed in the given municipality's jurisdiction, companies may be obliged to pay up to 2% local business tax calculated on their net sales revenues reduced by the cost of goods sold, the cost of mediated services and material costs (in the cases of the first two deductions subject to certain limitations). HU-REITs on the other hand are exempted from the above local business tax payment obligation.

In general the transfer tax payable on the acquisition of real estates, property rights related to real estates, and the 75% participations of certain real estate holding companies is 4% up to a tax base of HUF 1 billion (approx. EUR 3.2 million) and 2% for the amount exceeding such threshold, but is capped at HUF 200 million (approx. EUR 650,000) per real estate. The tax base of the transfer tax is the real estates' market value (in the case of participations of real estate holding companies, the tax base is the proportionate amount of the company's real estates' market value). In the case of HU-REITs the above transfer tax rates are uniformly reduced to 2%.

Withholding tax on distributions

Distributions to Hungarian resident individuals are subject to the general rules, that is, to 16% personal income tax and 14% health care contribution withheld at the source. The health care contribution is capped at HUF 450,000 (approx. EUR 1,450) per annum. Exception applies for the health care contribution if it is paid after a share which is traded on a recognised stock exchange.

As per the general rules, foreign resident individuals are subject to 16% personal income tax withheld at source on distributions made thereto. Such general withholding tax rate may be reduced by an applicable treaty.

Distributions to entities are not subject to withholding taxation.

Tax treatment at the investor level

Resident investors

Individual investors

Dividends distributed by HU-REITs to Hungarian resident private individuals is subject to taxation as described previously under withholding tax section.

Capital gain on the disposal of shares in a HU-REIT is taxable under the general rules in Hungary, that is, it is subject to 16% personal income tax and 14% health care contribution which is capped at HUF 450,000 (approx. EUR 1,450). In addition, if certain conditions are met, exemption from the 14% health care contribution may be achieved and certain capital losses of the given tax year may be taken into consideration as a reducing item for the purposes of calculating the personal income tax base.

Corporate investors

Dividend distributions to corporate investors are subject to the general rules. Thus, dividend from a HU-REIT is corporate income tax exempt.

Capital gain on the disposal of shares in a HU-REIT is taxable under the normal corporate income tax rules. Thus, they are subject to corporate income tax, unless the participation exemption rules may apply, which results in no taxation. For the participation exemption rules to apply, the investor has to acquire at least 10% of the REIT's shares, it has to report the acquisition thereof to the tax authority within seventy-five days, and the disposal has to happen at least one year following the acquisition of the shares.

Non-resident investors

Individual investors

Dividends distributed by HU-REITs to foreign resident private individuals is subject to taxation as described previously under withholding tax section.

Provided that the HU-REIT is registered on a recognized stock exchange, no Hungarian taxation may arise, if the shares thereof are alienated by a foreign resident private individual.

Corporate investors

Based on the general domestic rules, no withholding tax is applicable to dividend distributions made to foreign legal entities and unincorporated associations.

Provided that the HU-REIT is registered on a recognized stock exchange (pls. see above), no Hungarian taxation may arise, if the shares thereof are alienated by a foreign resident entity.

Transition to REIT/Tax privileges

No special rules apply to HU-REITs in this regard.

India

The Real Estate Investment Trusts in India ('IN-REITs') are regulated by the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014 ('the REIT Regulations').

Anish Sanghvi
PwC (India)
Tel: +91 22 6689-1133
Anish.Sanghvi@in.pwc.com

Bhairav Dalal
PwC (India)
Tel: +91 22 6689-1130
Bhairav.Dalal@in.pwc.com

SEBI first introduced the draft REIT Regulations in 2007 for public comments. After extensive interactions by SEBI with various industry participants, it released draft of the REIT Regulations in October 2013. After further modifications, REIT Regulations were finally enacted on 26 September 2014. Over the years, the regulator partnered with relevant stakeholders in the country including government bodies, investors and real estate developers to bring these regulations in line with globally recognised norms.

REIT is an investment vehicle that owns and operates real estate related assets and allows individual investors to earn income produced through real estate ownership without actually having to buy any such assets.

Typically, income producing real estate assets owned by a REIT include office buildings, shopping malls apartments, warehouses and mortgages.

Legal form

An IN-REIT can be established only as a trust with its main objective of undertaking activities in accordance with the REIT Regulations.

Key eligibility requirements

Sponsor

A maximum of three Sponsors are permitted to set up the IN-REIT. Further, the Sponsors collectively should have a net worth of not less than INR 1,000 million and individually not less than INR 200 million. A Sponsor is also required to have a minimum of five years of experience in development of real estate or fund management in the real estate industry. Where the Sponsor is a developer, the Sponsor should have completed development of at least two projects.

Manager

Manager of the IN-REIT should have a minimum net worth of INR 100 million. Manager is also required to have a minimum of five years of experience in fund management or advisory services or property management in the real estate industry or in the development of real estate.

Listing requirements

It is mandatory for all units of the IN REITS to be listed on a recognised stock exchange within a period of twelve working days from the date of closure of the initial public offer.

At the time of initial offer, value of the assets owned by IN REIT should be at least INR 5,000 million and the offer size should be at least INR 2,500 million. Minimum subscription price from an applicant should be at least INR 0.2 million.

Additionally the following conditions should be adhered to:

- Minimum public float at all times should be 25%;
- Minimum number of unit holders forming a part of the public should be at least 200; and
- Trading lot should be INR 0.1 million.

Sponsor holding and lock-in requirements

Sponsors should hold a minimum of 5% units in the IN-REIT individually and 15% in aggregate at all times. Further, minimum 25% units (on a post issue basis) in the IN-REIT would be subject to a lock in of three years after initial offer. Units exceeding 25% shall be subject to a lock in of one year after the initial offer.

Asset/income/activity tests

IN-REIT can invest either directly in or indirectly [through Special Purpose Vehicles ('SPVs') i.e. Company or Limited Liability Partnerships ('LLP')] in real estate assets in India. The IN-REIT cannot invest in vacant land or agricultural land or mortgages. Other conditions on investments are as under:

- At least 80% of the value of the IN REIT should be represented by completed and rent generating real estate assets. The investment is subject to a lock in of three years from the purchase date.
- Maximum of 20% of the value of the IN REIT can be represented by:
  - Under construction properties (subject to a cap of 10% of the value). This would be subject to a lock in of three years post completion;
  - Listed or unlisted debt of real estate companies;
  - Mortgage backed securities;
  - Equity of listed companies in India, generating at least 75% of their income from real estate activities; and
  - Government securities.
- IN-REIT should hold a minimum of two projects with an investment cap of 60% of the value of the assets in a single project.
- At least 75% of the revenue should be from rental or leasing of assets, or incidental revenue.
- Investments in other IN REITs or lending not permitted.
- Co-investment permitted, subject to conditions.

Restrictions on foreign assets

The real estate properties or securities acquired must be in the territory of India.

Distribution requirements

The IN-REIT must distribute at least 90% of its net distributable cash flows to the unit holders. Such distributions are to be made at least once in every six months in each financial year. Further, on sale of a real estate asset, 90% of the proceeds are to be distributed unless, the proceeds are reinvested.

Tax treatment at REIT level

Any income by way of interest received from an SPV ('interest income') or by way of renting or leasing or letting out any real estate asset owned directly by the IN REIT ('lease rent') should be exempt from tax in the hands of the IN REIT.

Further, dividend[i]/share of profit, as the case may be, are exempt from tax as well, in the hands of the IN-REIT.

Gains on transfer of the securities in the SPVs, or real estate assets held by the IN-REIT, should be subject to capital gains tax as summarised under:

- In case of transfer of securities held by an IN-REIT in an SPV the capital gains arising therefrom, if any, would be taxed at 20%[iii], if the securities were held for more than 36 months and 30%[iii], if the securities[ii] were held for up to 36 months.
- In case of real estate property directly held by the IN-REIT, income arising on its transfer would be chargeable to tax at the rate of 20%[iii] where the property is held for more than 36 months. Since the regulations provide for a lock in of 3 years, tax implications, in a scenario where the property is transferred prior to 3 years, is not considered.
- Any other income of the IN-REIT, would be chargeable to tax at the rate of 30%[iii].

Withholding tax on distributions

Resident Investors

Where the IN-REIT distributes the income received by it, by way of interest from the SPVs or lease rentals, to a resident unit holder, the IN-REIT is required to withhold tax at the rate of 10%.

Non-resident Investors[iv]

Where the interest income, received by the IN-REIT, is distributed to a non-resident unit holder the IN-REIT is required to withhold tax at the rate of 5%[v].

Where lease rental income, received by the IN-REIT, is distributed to non-resident unit holders, the IN-REIT is required to withhold tax at the rates in force i.e. 30%[v] in case Individuals and 40%[v] in case of Corporates.

Tax treatment at the investor level

Resident investors

The income distributed by the IN-REIT, received by it by way of interest or lease rent, could be taxed at a maximum rate of 30%[iii]. Any other income distributed by the IN-REIT ought not to be taxable in the hands of the investors.

The tax withheld, as discussed above, should be available as credit.

Tax implications on capital gains on the sale of the units in the IN-REIT are discussed below:

- Capital gains on transfer of units listed on a recognised stock exchange in India, held for more than 36 months, are exempt from tax subject to payment of Securities Transaction Tax ('STT')[vi].
- Capital gains on transfer of units listed on a recognised stock exchange in India, held for up to 36 months, are chargeable to tax at the rate of 15%[iii] subject to payment of STT.

Non-resident investors[iv]

The income distributed by the IN REIT, received by it by way of interest should be taxed at the rate of 5%[v] in the case of individuals and 5%[v] in the case of corporates.

Lease rent income received by the IN-REIT, distributed to the unit holders, could be taxed at a maximum rate of 30%[v], in the case of individuals and a rate of 40%[v], in the case corporates.

The tax withheld, as discussed above, should be available as credit.

Tax implications on capital gains from the sale of the units in the IN-REIT are discussed below:

- Capital gains on transfer of units listed on a recognised stock exchange in India, held for more than 36 months, are exempt from tax subject to payment of STT.
- Capital gains on transfer of units listed on a recognised stock exchange in India, held for up to 36 months, are subject to tax at the rate of 15%[v], in case of individuals and 15%[v], in case of corporates, subject to payment of STT.

In addition to the above, Minimum Alternative tax ('MAT'), a rate of 18.50%[vii] for corporates, shall be payable on profits arising (as per books of accounts) from sale of units.

Sponsor

As regards the Sponsor, the swap of shares in an SPV for units in an IN-REIT is a transaction exempt from tax. However, where units are received in exchange for assets, other than shares in an SPV, such a transaction should be chargeable to tax. Where the exchanged assets are held for more than 36 months, the rate of tax is 20%[iii], and held for up to 36 months, the rate of tax is 30%[iii].

MAT at the rate of 18.50%[vii] for Sponsor being a corporate entity would be applicable. A separate computation mechanism is prescribed for calculation of MAT, with respect to the Sponsor.

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[i] The Company declaring dividend is liable to pay dividend distribution tax at the rate of 15% plus surcharge at 12% and education cess at 3% on applicable tax and surcharge.
[ii] Tax implications, where securities are listed on a recognised stock exchange in India are not considered.
[iii] The tax rate needs to be increased with applicable surcharge at the rate of 12% (being maximum applicable rate for FY 2015-16) and education cess at the rate of 3% on applicable tax and surcharge.
[iv] Availability of treaty benefits, if any, have not been considered.
[v] The tax rate needs to be increased with applicable surcharge at the rate of 12% for foreign individuals and 5% for foreign corporates (being maximum applicable rates for FY 2015-16) and education cess at the rate of 3% on applicable tax and surcharge.
[vi] STT is charged at the rate of 0.1% on the transaction value in case of sale / purchase of the units on a recognised stock exchange.
[vii] The tax rate needs to be increased with applicable surcharge at the rate of 12% for domestic corporates and 5% for foreign corporates (being maximum applicable rates for FY 2015-16) and education cess at the rate of 3% on applicable tax and surcharge.

Italy

Italy has a real estate investment vehicle similar to the better known REITs in force in other countries: the SIIQ, 'Società di Investimento Immobiliare Quotata' (i.e. 'Listed Real Estate Investment Company').

The SIIQ is a listed Italian stock corporation, which has real estate rental activity as its main business (even indirectly performed, in stated circumstances) and, as such, benefits from income tax exemption with regard to this activity and to investments, inter alia, in other SIIQs. Under certain conditions, this regime can be applied to non-listed Italian corporations (consequently named as SIINQs) and extended to eligible foreign companies with respect to their Italian permanent establishments.

The SIIQ regime was introduced by the 2007 Budget Law, with effect from the first tax period starting after 30 June 2007, but, due to some restrictions provided by its original framework and the slowdown of the real estate market, as of today, the SIIQ market in Italy has not taken off yet. However, thanks to some improvements to this regime and the revival of real estate investments, the interest for the SIIQ is currently growing.

Fabrizio Acerbis
PwC (Italy)
Tel: +39 2 91605-001
fabrizio.acerbis@it.pwc.com

Daniele Di Michele
PwC (Italy)
Tel: +39 2 91605-002
daniele.di.michele@it.pwc.com

Legal form
The SIIQ is a stock corporation (i.e. a company limited by shares), resident in Italy for tax purposes, mainly carrying on real estate rental activity and fulfilling certain requirements.

Rather than a new type of entity, the SIIQ is a special civil and tax law regime,which applies upon an irrevocable option (to be exercised before the beginning of the first tax period under the SIIQ status) and is based on income tax exemption and other tax benefits for the real estate lease business performed and related assets.

The SIIQ regime has been afterwards extended to Italian permanent establishments (PE) of companies resident in the countries of the European Union or the European Economic Area included in the Italian white-list (i.e. 'non-tax-haven' countries with information exchange procedures with Italy) which fulfil the SIIQ subjective requirements, if the PE's main business consists of real estate rental activity.

The Law clarified that the SIIQ is not an "undertaking for the collective investment of saving". As a consequence, the SIIQ should not qualify as an 'Alternative Investment Fund' and should not be subject to AIFMD regulations.

Capital requirements
The capital requirement to obtain the SIIQ status varies according to the listing market. The minimum market capitalisation for listing on the main segments of the Italian market is equal to EUR 40m.

Listing requirements
The SIIQ must be listed on an organised stock market in the European Union or in the European Economic Area included in the Italian white-list.

However, the special regime may be extended to unlisted stock companies (SIINQ), provided that they are resident in Italy, carry on the real estate rental activity (as 'prevalent' business, as defined for SIIQ qualification), are owned at least at 95% by SIIQs (in terms of voting rights and profit participation) and opt for the domestic income tax consolidation regime with the controlling SIIQ.

SIIQs (and SIINQs) are required to apply IAS/IFRS (same obligation should apply to Italian PEs of foreign companies which elect for the SIIQ regime).

Restrictions on investors

Minimum number of investors

The following shareholding requirements in the SIIQ must be met:

- No shareholder shall hold, directly or indirectly, more than 60% of the voting rights in the general meeting and no shareholder shall participate in more than 60% in the profits;
- At least 25% of the SIIQ shares have to be owned by shareholders, each one not holding at the time of the option, directly or indirectly, more than 2% of the voting rights in the general meeting and not more than 2% of participation in the profits (free float).

The free float condition is not required if the applicant is already listed.

If the 'main-shareholder' requirement is not observed by the end of the first tax period under the special regime, it may be also fulfilled within the following two years; meantime, the special income tax regime is suspended (until the beginning of the year in which this requirement is met), while indirect taxes benefits are only temporarily applied.

If, afterwards, the 'main-shareholder' requirement is overcome in consequence of a corporate reorganisation or a capital market operation, the special tax regime is suspended until the requirements is restored.

Restrictions on non-resident investors

There are no restrictions on non-resident investors.

Asset/income/activity tests

The SIIQ's 'prevalent' activity has to be the real estate rental. Prevalence occurs if both the following tests are met:

- **Asset Test**: at least 80% of the assets are real estate properties and rights referred to the exempt business (i.e. the real estate rental activity) and/or shareholdings in other SIIQs or SIINQs booked as fixed assets and/or units in Italian Real Estate Investment Funds (REIFs) which prevalently invest in real estate related assets addressed to the lease activity (as SIIQs).
- **Profit Test**: at least 80% of the SIIQ's annual revenues are derived from the aforementioned tax exempt business. Eligible revenues include: (i) dividends received from other SIIQs or SIINQs paid out from their profits from the exempt business; (ii) distributions from REIFs which qualify for the Asset Test; (iii) capital gains from disposal of real estate properties and rights for lease.

The SIIQ status is lost if for three consecutive years even one of the prevalence requirements is not fulfilled, retroactively from the beginning of the second year, or in the year when both of them are failed.

Restrictions on foreign assets

There are no restrictions on foreign assets.

Distribution requirements

SIIQs are required to annually distribute at least 70% of the net profit available for distribution derived from the tax exempt business. Net capital gains from disposal of real estate properties and rights and interest in SIIQs, SIINQs and REIFs related to such business, have to be distributed for at least 50% of their amount, over the two years following the year of their earning.

If the net profit available for distribution is lower than the accounting net profit from the tax exempt business, up to the amount of this difference, the subsequent years' accounting net profit from the taxable businesses is deemed to be earned from the tax exempt business, thus subject to the 70% minimum distribution obligation.

Failure to fulfil the distribution requirement implies the repeal of the SIIQ regime (retroactively from the year of earning of the undistributed tax exempt profit).

Tax treatment at REIT level

For Italian stock corporations that opt for the SIIQ regime, the income associated with the rental business and that derived from the other eligible assets (see Asset and Profit Tests) are exempt from corporate income tax (IRES, with current ordinary rate of 27.5%) and from regional tax (IRAP, with current ordinary rate of 3.9%).

Income from the other activities is subject to ordinary taxation.

For permanent establishments (PEs) of foreign companies that elect for the SIIQ regime, the annual income derived from the rental activity is subject to a 26% substitute tax (the law still makes reference to 20%; however, since this substitute tax replaces the SIIQ dividend withholding tax – which is not applicable to PE profit repatriations to its foreign head office - the rate should follow that valid for SIIQ dividend distributions to shareholders, which was increased from 20% to 26% from 1st July 2014).

Withholding tax on distributions

Dividends distributed by the SIIQ (or SIINQ) out of profit derived from the tax exempt business are subject to withholding tax (WHT) at source at a rate of 26% (20% until 30 June 2014). The portion of the tax exempt net profit related to particular residential building lease contracts may benefit from a reduced WHT tax rate of 15%.

The WHT is applied as advance payment in the case of resident individual entrepreneurs and resident entities subject to the business income tax rules, including limited liability companies and Italian PEs of foreign entities. In other circumstances, such as the case of non-resident shareholders, the WHT is applied as a definitive payment.

The WHT is not applied for distributions to: other SIIQs, Italian pension funds, Italian undertakings for collective investments (e.g., UCITSs, REIFs, SICAVs) and private wealth management subject to substitute tax regime.

In addition, WHT does not apply to profit repatriations executed by PEs of foreign companies that opted for the SIIQ regime (because already subject to substitute tax at PE level).

Dividends distributed out of profit from the taxable businesses are subject to the ordinary rules.

Tax treatment at the investor level

Resident investors

Individual investors

Dividends distributed out of profit derived from the tax exempt business are subject to a 26% definite WHT (potentially reduced to 15% under certain circumstances). No further income taxation applies at the level of the individual shareholders.

Capital gains are subject to tax at 26%, provided the interest does not exceed 2% of the voting rights or 5% of the SIIQ's capital (in case of SIINQ, respectively 20% and 25%) – tested on a 12-month basis (i.e. 'nonqualified' shareholding). Otherwise, capital gains are subject to individual income tax with progressive rates, presently ranging from 23% up to 43%, with the highest rate applicable to the amount of aggregate taxable income which exceeds €75,000 (plus local surcharges and also a 3% 'solidarity contribution' for income exceeding €300,000 presently applicable until 2016). Participation exemption does not apply.

Dividends out of the exempt profit collected by resident individual shareholders acting in their business capacity are fully included in the business income (dividend exemption does not apply) and consequently subject to individual income tax with progressive rates, presently ranging from 23% up to 43% (plus local surcharges and also 3% 'solidarity contribution' for income eventually exceeding €300,000). The 26% (or 15%) WHT applied at source is credited against the income tax due. Capital gains should also be fully included in the business income (participation exemption does not apply) and taxed accordingly.

Corporate investors

Dividends out of the exempt profit collected by resident companies and Italian PEs of foreign entities are fully subject to IRES, at 27.5% (dividend exemption does not apply). The 26% (or 15%) WHT applied at source is credited against IRES due. In certain circumstances, IRAP is also due, with a rate ranging from 4.65% to about 6.82%.

Capital gains are fully subject to IRES (participation exemption does not apply). In certain circumstances, IRAP is also due, with a rate ranging from 4.65% to about 6.82%.

Non-resident investors

Individual investors

Dividends out of the exempt profit are taxed in Italy by way of the mentioned 26% (or 15%) definite WHT. DTTs regime, if more favourable, is applicable.

Capital gains on 'non-qualified' shareholdings into: (a) SIIQs (listed companies) are not taxable in Italy for the lack of the territoriality requirement; (b) SIINQs (non-listed companies) are subject to a 26% taxation, which may be reduced to nil for residents in the Italian white-list countries or most Treaty countries. Otherwise, capital gains are taxed according to the individual income tax rates of up to 43% (participation exemption does not apply), unless DTTs provide for lower taxation.

Corporate investors

Dividends out of the exempt profit paid to non-residents (without PE in Italy) are subject to Italian definite WHT of 26% (or 15%). The WHT rate may be reduced under the applicable DTTs. The benefits of the EU Parent-Subsidiary Directive are not available.

Capital gains on 'non-qualified' shareholdings into: (a) SIIQs (listed companies) are not taxable in Italy for the lack of the territoriality requirement; (b) SIINQs (non-listed companies) are subject to a 26% taxation, which may be reduced to nil for residents in the Italian white-list countries or most Treaty countries. Otherwise, capital gains are subject to IRES, at 27.5% (participation exemption does not apply), unless DTTs provide for lower taxation.

Transition to REIT/Tax privileges

Election for SIIQ regime implies the step-up at fair market value of the real estate properties and rights held and relating to the real estate rental business (tax relevance of the step-up is postponed to the fourth following year). Any net built-in gain, in lieu of the ordinary taxation, may be taxed with a 20% substitute tax, potentially payable over a five-year period (with interest). This favourable tax treatment applies only if the assets are retained for at least three years.

This favourable 20% substitute taxation is also provided, in lieu of the ordinary taxation, for capital gains realised upon contribution of real estate properties and rights to SIIQs (and to SIINQs), to the extent that these assets will be held for at least three years. The substitute tax is payable over five years (with interest).

Contributions to SIIQs (and to SIINQs) of pluralities of real estate properties, rented for their majority, should not be subject to other material tax costs other than the above-mentioned taxation in the hands of the contributing entity (i.e. no proportional VAT and transfer taxes).

With regard to indirect taxes due on contributions and sales of real estate properties to SIIQs (and to SIINQs), several reductions are provided.

Moreover, favourable regimes in terms of indirect taxes are provided to facilitate the contribution/assignment to SIIQs of leased real estate properties held by REIFs.

Ireland

The Irish Real Estate Investment Trust (REIT) was introduced by the provisions in the Finance Act 2013 with the first Irish REIT listing on the Irish Stock Exchange on 18 July 2013.

Enda Faughnan
PwC (Ireland)
Tel: +353 1 792-6359
enda.faughnan@ie.pwc.com

Ilona McElroy
PwC (Ireland)
Tel: +353 1 792-8768
ilona.mcelroy@ie.pwc.com

The Irish REIT was introduced in 2013, with the first REIT listing on the Irish Stock Exchange on 18 July 2013. There are currently three REITs in Ireland with further REITs expected to be launched.

Provided an Irish REIT meets the various conditions of the legislation, it will not be liable to corporate tax on income and capital gains arising from its property rental business.

Furthermore, non-residents can dispose of shares in an Irish REIT without giving rise to a charge to Irish capital gains tax.

Legal Form

An Irish REIT can be structured as a group of companies with a parent company (Group REIT) or as a single company REIT.

To become an Irish REIT a company must give notice to the Irish Revenue Commissioners and comply with a series of conditions. Some of these conditions are applicable on day one, some at the end of the first accounting period while the remainder can be satisfied within a period of three years of becoming a REIT.

The REIT (or where it is a Group REIT, the principal company) must be resident in Ireland and not resident elsewhere, and must be a company incorporated in Ireland under the Companies Acts from day one.

Capital requirements

There are no capital requirements, but there is a limitation on the type of shares that the parent company of an Irish REIT can issue, being ordinary shares and non-voting preference shares. It must have only one class of ordinary share capital.

There are financing restrictions.

At the end of the first accounting period the REIT must have a profit financing ratio where the profits are at least 1.25 times the finance costs. Where this ratio is not maintained the REIT shall be charged to corporation tax at a rate of 20% on the amount by which the property financing costs would have to be reduced to achieve a 1.25:1 ratio.

Listing requirements

The REITs shares must be listed on the main market of a recognised stock exchange in an EU Member State. The Irish Stock Exchange (ISE) has created a listing regime for REITs and has aligned the new requirements with those of the FCA Listing Rules in the UK so as to facilitate REITs that may seek a dual listing in Ireland and the UK. For a new REIT there is a grace period of three years for the shares to be trading on the Main Securities Market (MSM) or other recognised stock exchange.

Restrictions on investors

An Irish REIT cannot be a close company (which is a company controlled by 5 or fewer investors). Where a new REIT is formed it can be 'close' for the first three years.

An Irish REIT is penalised if it makes distributions to shareholders with 10% or more of the share capital, distribution or voting rights in the REIT (other than "qualifying investors") unless reasonable steps were put in place to prevent the making of the distribution to such a person. A qualifying investor includes any Irish pension scheme, life company or charity, National Asset Management Agency (NAMA) and other specified persons including QIAIFs.

There are no additional restrictions in respect of non-resident investors.

Asset/income/activity tests

It is possible for an Irish REIT to have both a property rental business and other activities. By the end of the first accounting period at least 75% of the income and 75% of the market value of the assets of the REIT must relate to assets of the property rental business of the REIT.

The REIT must maintain a loan to value ratio up to a maximum of 50% by the end of the first accounting period.

Within 3 years of commencement the REIT must conduct a property rental business consisting of at least 3 properties, with no one property accounting for more than 40% of the total market value of the properties constituting the property rental business.

A corporation tax charge will arise where a property asset is developed at a cost exceeding 30% of its market value and sold within three years of completion of the development.

Restrictions on foreign assets

There are no restrictions on foreign assets.

Distribution requirements

At the end of each accounting period (subject to having sufficient distributable reserves) the REIT must distribute, by way of property income dividend to its shareholders, at least 85% of the property income of that accounting period (on or before the tax return filing date, which is normally circa 9 months from the end of the particular accounting period).

Tax treatment at REIT level

An Irish REIT should not be chargeable to tax in respect of either rental income earned or chargeable gains accruing on the disposal of assets of its property rental business. It is subject to corporation tax on all other income and gains under the usual taxation rules.

There is no exemption from value added tax, property rates, employment taxes or stamp duty. Stamp duty, which is currently at a rate of 2% (1% for certain residential), should apply to properties acquired.

Withholding tax on distributions

Dividend distributions out of rental income and gains by an Irish REIT are subject to a withholding tax of 20%.

Distributions out of taxed income are treated as ordinary dividends.

Tax treatment at the investor level

Resident investors

Individual investors

Irish resident shareholders in a REIT should be subject to income tax at normal rates on income distributions with a credit for Dividend Withholding Tax (current rate is 20%). Individuals will be taxed at marginal rates of income tax plus PRSI and USC. Certain categories of exempt investors exist, e.g. Pension funds, regulated funds, etc.

Corporate investors

Irish resident corporate investors should be liable to 25% corporate tax on income distributions from the REIT and will be liable to capital gains tax at a rate of 33% on the disposal of shares in the REIT.

Non-resident investors

Non-resident investors will not be liable to Irish capital gains tax on the disposal of REIT shares because the REIT is a publicly listed company. However, these investors may be liable to such taxes in their home jurisdictions. The REIT will apply dividend withholding tax (DWT) at the rate of 20% from income distributions to non-residents and depending on their country of residence they may be able to reclaim some or all of this DWT under a relevant double taxation treaty. The reduced treaty rate must be claimed as a refund.

Any transfer of shares in the REIT should be subject to 1% stamp duty.

Tax on Converting to a REIT

No conversion charge will apply for an existing company converting to a REIT. However a company that converts to a REIT will be deemed for Capital Gains Tax (“CGT”) purposes to have sold its assets at market value, on the day of conversion, immediately before becoming a REIT and reacquired them on becoming a REIT thus creating a CGT liability on any gains at that point.

Stamp duty will apply in respect of the acquisition of Irish property and to the transfer of shares in a REIT.

Additionally where an asset which was used for the property rental business of a REIT ceases to be so used, it will be treated, for CGT purposes, as having been disposed of by the REIT and reacquired by it at market value.

Japan

Japanese REITs (J-REIT) are formed under the Law Concerning Investment Trusts and Investment Corporations (ITL) with a view to managing investments in specified assets, including real estate. Except as may be necessary for context, the term J-REIT means a J-REIT that is listed on the Japanese stock exchange.

Raymond Kahn
PwC (Japan)
Tel: +81 3 5251-2909
raymond.a.kahn@jp.pwc.com

Hiroshi Takagi
PwC (Japan)
Tel: +81 3 5251-2788
hiroshi.takagi@jp.pwc.com

Legal form

Under the ITL, there are two different types of investment vehicles: investment trusts and investment corporations. To date, all listed J-REITs have been formed as investment corporations.

Capital requirements

Under the ITL, the minimum share capital of a J-REIT is JPY100 million.

Listing requirements

J-REITs are not required to be listed on a stock exchange, but most J-REITs are listed in Japan. J-REITs that are listed on the Tokyo Stock Exchange are subject to Tokyo Stock Exchange Listing Standards (the 'TSE Rules').

Restrictions on investors

Minimum number of investors

The TSE Rules require that the number of units expected to be held by the lead investor at listing is 75% or less of the total and that there are expected to be at least 1,000 investors other than the lead investor.

Restrictions on non-resident investors

Under the Special Taxation Measure Law (STML), an offer of an investment in the units of the J-REIT has to be made mainly in the domestic market (the 'Domestic Offering Test').

Asset/income/activity tests

Under the TSE Rules, the following listing screening standards are required to be met in relation to the J-REIT's assets (the 'Asset Test'):

- The ratio of real estate in the fund's managed assets is expected to be 70% or more;
- The ratio of real estate, real estate related assets and liquid assets summed together is expected to be 95% or more of the total assets under management;
- Net assets are expected to be at least JPY 1bn;
- Total assets are expected to be at least JPY 5bn; and
- Net assets per unit is expected to be at least JPY 50,000.

In addition, under the STML the activities of a J-REIT are subject to the following restrictions (the 'Activity Test').

- The J-REIT does not engage in any business other than asset management, has not opened any place of business other than its head office and has not hired any employees;
- The J-REIT has outsourced the asset management function to an asset management corporation; and
- The J-REIT has outsourced custody of the assets to a custodian.

Restrictions on foreign assets

The restrictions on investment in foreign assets by J-REITs were lifted on 12 May 2008. To date, one listed J-REIT has acquired foreign assets.

Distribution requirements

Under the STML, a J-REIT must pay out dividends in excess of 90% of its distributable profits to qualify for the dividend payment deduction (the '90% Distribution Test'). On the other hand, the TSE Rules require that the J-REIT maintain net assets of at least JPY 1bn.

Tax treatment at REIT level

Under the STML, dividends paid by a J-REIT to its investors are deductible for corporate tax purposes, provided it satisfies certain requirements. Set out below is a summary of certain requirements deserving special attention.

Requirements relating to the J-REIT:

- One of the following requirements is met:
  - A public offering of JPY 100m or more was made at the time of establishment; or
  - The units of the J-REIT are held by 50 or more investors at the end of each fiscal period, or 100% of the units of the J-REIT are held by institutional investors as defined in the STML; and
- The Domestic Offering Test is met.

Requirements relating to the year of taxation:

- The Activity Test is met;
- The J-REIT is not treated as a family corporation at the end of the fiscal year (a family corporation is defined as a corporation in which a single individual or corporate unitholder (including its related parties) holds 50% or more of the units of the J-REIT);
- The 90% Distribution Test is met;
- The J-REIT does not hold 50% or more of the equity of another corporation; and
- The J-REIT has not obtained loans from parties other than institutional investors as defined in the STML.

Withholding tax on distributions

Dividend distributions paid by a J-REIT to Japanese individual investors and non- Japanese individual investors with a permanent establishment (PE) in Japan ('Individual Investors') whose ownership is less than 3% ('Minor Individual Investors') are currently subject to 20.315% withholding tax (including a local tax portion of 5%). For Individual Investors whose ownership is 3% or more ('Major Individual Investors'), the above withholding tax rate would be 20.42%. Such 20.315% or 20.42% withholding tax on dividend distribution is creditable in full from income tax due upon the filing of an income tax return reporting such dividend income.

Dividend distributions paid by a J-REIT to Japanese corporate investors and non- Japanese corporate investors with a PE in Japan ('Corporate Investors') are currently subject to 15.315% withholding tax. In principle, a portion of such withholding tax is creditable against corporation tax payable or refundable upon the filing of the corporation tax return.

Dividend distributions paid by a J-REIT to non-resident investors without a PE in Japan ('Non-Resident Investors') are currently subject to 15.315% withholding tax in the absence of an applicable tax treaty. Notwithstanding the foregoing, the above withholding tax rate would be 20.42% for individual Non-Resident Investors whose ownership is 3% or more.

Tax treatment at the investor level

Resident investors

Individual investors

Dividends distributions paid by a J-REIT to Individual Investors are currently subject to 20.315% (including the local tax portion of 5%) or 20.42% withholding tax as described above.

Generally, Individual Investors are required to file an income tax return reporting such dividends as dividend income. In principle, this income is aggregated with the Individual Investor's other income and is subject to income tax at the graduated rate. However, Minor Individual Investors are able to elect for separate assessment taxation in filing such income, in which case the capital loss from the transfer of units can be used to offset dividend income and the balance is currently taxed at 20.315% (including local tax portion of 5%). Individual Investors can credit in full any withholding taxes against their income tax due.

Notwithstanding the above, Minor Individual Investors may elect not to report the income; however, in such cases no credit would be available for withholding taxes paid.

Capital gains derived from the transfer of units in a J-REIT are treated as a separate income and are currently subject to Japanese capital gains tax at 20.315% (including a local tax portion of 5%) upon filing.

Corporate investors

Dividend distributions paid by a J-REIT to Corporate Investors are currently subject to 15.315% withholding tax as described above. As the dividend exclusion rule does not apply to dividends paid by a J-REIT, the entire portion of such dividends are subject to corporate tax at a rate of approximately 33%. In principle, a portion of the 15.315% withholding tax on such dividends is creditable against corporation tax payable or refundable upon the filing of the corporation tax return.

Capital gains derived from the transfer of units in a J-REIT are included in taxable income and subject to Japanese corporate taxes at an effective tax rate of approximately 33%.

Non-resident investors

In the absence of an applicable tax treaty, dividend distributions paid by a J-REIT to Non-Resident Investors are currently subject to 15.315% or 20.42% withholding tax, as described above. This withholding tax is a final tax and a tax filing is not required.

Capital gains derived from the transfer of units in a J-REIT are generally not subject to Japanese capital gain tax. If a transferor owns more than 5% (in the case of a listed J-REIT), or more than 2% (in the case of a non-listed J-REIT) of the units in the J-REIT as of the end of the fiscal year immediately prior to the year in which the transfer occurs, however, the gain is subject to Japanese capital gain tax at 24.95%, unless protected by treaty.

Transition to REIT/Tax privileges

Acquisition tax

A J-REIT is currently entitled to the following concessionary rates:

- 1.6% for the acquisition of a non-residential building;
- 1.2% for the acquisition of residential building; and
- 0.6% for the acquisition of land.

Registration tax

A J-REIT is currently entitled to the concessionary rate of 1.3% of the assessed value for buildings and land.

Luxembourg

Luxembourg has not yet enacted a REIT regime per se, but the specialised investment fund (SIF) regime enacted on 13 February 2007 has developed into a specialised property fund regime for years.

Alexandre Jaumotte
Tel. +352 49 4848-5380
alexandre.jaumotte@lu.pwc.com

Nicolas Schulz
Tel. +352 49 4848-4211
nicolas.schulz@lu.pwc.com

Alexandre Tréguier
Tel: +359 49 4848-3359
a.treguier@lu.pwc.com

A SIF shall be any undertaking for collective investment situated in Luxembourg (i) the exclusive object of which is the collective investment of its funds in assets in order to spread the investment risks and to ensure for the investors the benefit of the results of the management of its assets, and (ii) the securities or partnership interests of which are reserved to one or several well-informed investors, and (iii) the constitutive documents or offering documents or partnership agreement of which provide that it is subject to the provisions of the law of February 13, 2007, as amended, relating to specialised investment funds (the SIF Law). In addition, there are plans to enact a separate REIT regime comparable to those of other European countries. This new REIT regime is currently under discussions amongst the authorities and the market players.

Legal form

A SIF may be organised under any of the following three categories:

i. Common Fund (*Fonds Commun de Placement* or FCP):
The contractual type fund is a co-ownership of assets with no legal personality, which is managed, on behalf of the joint owners, by a management company based in Luxembourg. An investor in an FCP receives, as a counterpart for its investment, units of the FCP, which may be issued in registered or in bearer form and which represent a portion of the net assets of the FCP. Unlike shares of a corporate type fund, units of an FCP do not offer statutory 'shareholder' rights (unless expressly provided for in the management regulations of the FCP). Unit holders are only liable up to the amount contributed by them.

ii. Investment Company with Variable Capital (Société d'Investissement à Capital Variable – SICAV):
A SIF may be incorporated in the form of a public limited company (*société anonyme*-SA), a corporate partnership limited by shares (*société en commandite par actions*-SCA), a limited partnership (*société en commandite simple*-SCS), a special limited partnership (*société en commandite speciale*-SCSp), a private limited liability company (*société à responsabilité limitée*-Sàrl) or as a cooperative company organised as a public limited company (*société cooperative organisée sous forme de société anonyme*-SCoopSA). The SICAV acronym only refers to the variable capital concept, whereby the variations in the capitalisation of the SIF are organised without any specific formal requirements.

iii. SIF which are neither FCPs nor SICAVs
This third category is a residual category allowing the formation of a SIF under other legal forms or arrangements such as an association or even a fiduciary contract or any of the corporate forms mentioned under item (ii) though with a fixed capital (and then referred to as a SICAF).

All of the above fund types may furthermore be organised as single funds or as umbrella (multi-compartment) funds. An umbrella fund (which merely exists through its compartments or sub-funds) is segregated into one or more compartments or sub-funds, each of which corresponds to a separate pool of assets and liabilities. Each compartment or sub-fund is linked to a specific pool of properties or property rights, which are ring-fenced from the properties or property rights in other compartments/sub-funds.

Although the umbrella fund constitutes a single legal entity (if a SICAV or SICAF) or a single contractual arrangement (if an FCP), unless otherwise provided for in the fund documentation, the assets of a compartment or sub-fund are exclusively available to satisfy the rights of investors and creditors existing in relation to that compartment or sub-fund only.

The umbrella structure and its terms must be detailed in the constitutive documents of the SIF. In addition to the umbrella structure, it is also possible to create various classes of units or shares in a SIF or within each compartment or sub-fund. Such classes of units or shares may differ, inter alia, as to their fee structure, distribution policy and type of target investors.

Capital requirements

The minimum capitalisation for a real estate SIF is EUR 1.25 million. This minimum must be reached within 12 months from the authorisation of the SIF, and may be constituted by the subscribed capital increased by the share premium or the value of the amount constituting partnership interest. In the case of an umbrella SIF, this minimum capital requirement applies to the SIF as whole and not to a single compartment.

Listing requirements

There are no mandatory listing requirements to fulfil in order to achieve SIF eligibility.

Restrictions on investors

Units, shares and other securities issued by SIFs are reserved to 'well-informed' investors. 'Well-informed' investors are institutional investors, professional investors as well as any other investor that:

a. has declared in writing his adhesion to the status of well-informed investor, and
b. (i) invests a minimum of EUR 125,000 in the SIF, or
(ii) has obtained an assessment from a credit establishment as defined in directive 2006/48/CE, from an investment firm as defined in directive 2004/39/CE, or from a management company as defined in directive 2009/65/CE, certifying his expertise, his experience and his knowledge to appraise in an appropriate manner an investment in a SIF.

Asset/income/activity tests

A SIF may invest into any (transferable) real estate asset or right, and more particularly in (i) real estate (i.e. lands and buildings) registered in the name of the SIF, (ii) participations in real estate companies (including loans to such companies) the exclusive object and purpose of which are the acquisition, development and sale together with the letting and tenanting of real estate, and (iii) various long-term real estate related interests such as rights to ground rents, long-term leases and option rights over real estate investments.

By and large, a SIF may invest in any type of real estate assets and pursue any type of real estate investment strategy subject to compliance with the principle of risk spreading. Although the SIF Law does not provide for quantitative investment restrictions, the CSSF has issued further guidance in its Circular 07/309.

In general, the CSSF considers that the risk-spreading principle is complied with if a SIF does not invest more than 30% of its assets or subscription commitments into (i) a single property or (ii) the same property right or (iii) the same issuer of property rights. Property whose economic viability is linked to another property is not considered a separate item of property for this purpose.

However, the CSSF may provide exemptions from the restrictions laid out in Circular 07/309 on a case-by-case basis (e.g. the 30% rule may not apply during a start-up period). The CSSF may also request that additional restrictions are adhered to, in cases of SIFs with specific investment policies.

Restrictions on assets

A SIF may invest into any (transferable) real estate asset or right, and more particularly in (i) real estate (i.e. lands and buildings) registered in the name of the SIF, (ii) participations in real estate companies (including loans to such companies) the exclusive object and purpose of which are the acquisition, development and sale together with the letting and tenanting of real estate, and (iii) various long-term real estate related interests such as rights to ground rents, long-term leases and option rights over real estate investments.

Distribution

There are no profit distribution obligations or restrictions applicable to SIFs for as long as the minimum capitalisation is complied with. The net assets may in principle not fall below the legal minimum of EUR 1.25 million.

Tax treatment at SICAV level

Luxembourg specialised real estate funds are fully exempt from corporate income, municipal business and net wealth tax on the profits derived from investments, whether such profits constitute current income or capital gains. They are also exempt from withholding tax upon dividend distribution, capital reduction, interest payment, etc.

Specialised real estate funds are subject to a 0.01% annual subscription tax (*taxe d'abonnement*), which is payable quarterly and is calculated on the aggregate net assets of the fund as valued on the last day of each quarter.

Capital duty was abolished since 1 January 2009. As such, no capital duty will be levied on the issuance of shares or increase in capital. That said, a fixed registration duty of EUR 75 would be applicable on transactions involving Luxembourg notaries (i.e. incorporation, amendments of by-laws and transfer of seat to Luxembourg).

Specialised real estate funds owning Luxembourg real property may be subject to certain real estate taxes and transfer taxes in Luxembourg.

Based on established Luxembourg VAT administrative practice, Luxembourg regulated funds are considered as VAT-able persons carrying out VAT exempt operations without being entitled to recover input VAT incurred on expenses. They are released from the obligation to be VAT registered in Luxembourg, unless they are liable to declare and pay Luxembourg VAT on services received from foreign suppliers or owning and letting immovable property subject to Luxembourg VAT.

Management services provided to a Luxembourg specialised real estate fund in principle are exempt from Luxembourg VAT.

Withholding tax on distributions

Dividend distributions made by a specialised real estate fund are not subject to dividend withholding tax. It should be noted that Luxembourg is no longer imposing any withholding tax on interests under EU Savings Directive as Luxembourg is applying the automatic exchange of information since 1 January 2015.

Tax treatment at the investor level

Resident investors

Individual investors

Income and profit received by an individual domestic shareholder from a Luxembourg specialised real estate fund will be fully subject to Luxembourg tax, and borne by the recipient (max. 43.6%).

Interest paid by the fund to an individual domestic shareholder managing his or her own private wealth is subject to a final 10% withholding tax at the level of the fund, and is not included in the taxpayer's income tax return.

Capital gain on the disposal of shares of a Luxembourg specialised real estate fund earned by an individual domestic shareholder in the management of his or her own private wealth, is not subject to tax if the gain was realised at least six months after the acquisition of the shares, and provided that the investment in the fund does not represent a substantial (<10%) shareholding in the fund.

Corporate investors

A corporate domestic shareholder will be fully subject to tax on any income derived from a Luxembourg specialised real estate fund in the form of a SICAV or SICAF. Therefore dividends, capital gains and return of capital received by such shareholder are fully subject to Luxembourg corporate income tax (max. 22.47%) and municipal business tax, which may lead to an aggregate tax burden of up to 29.22% (for Luxembourg-City for 2015). Income received from a Luxembourg specialised real estate fund in the form of an FCP or SCS (inclusive of SCSp) in principle is also taxable, but not to the extent the corporate shareholder could apply the participation exemption or a double taxation treaty in relation to the fund's underlying investments, if applicable.

A corporate domestic shareholder will also be subject to net wealth taxlevied on its net assets at a rate of 0.5%, in principle, shares and units in a Luxembourg specialised real estate fund in the form of a SICAV or SICAF are fully subject to net wealth tax. Units in FCP or SCS (including SCSp) in the form of a specialised real estate fund are in principle also subject to Net Wealth Tax, but not to the extent the corporate shareholders could apply the Luxembourg participation exemption on a double taxation treaty to the fund's underlying investments if applicable.

Non-resident investors

Income derived by foreign shareholders who have neither a permanent establishment nor a permanent representative in Luxembourg to which or to whom the shares or units of the Luxembourg fund are attributable are not subject to taxes in Luxembourg.

Malaysia

The Malaysian REIT industry started off with Property Trust Funds (PTF) listed on the Kuala Lumpur Stock Exchange (KLSE) in 1989. The term REIT was subsequently adopted, and the industry grew with an increasing number of listed REITs.

REITs in Malaysia are either listed or unlisted. Malaysian REITs can be sector specific (e.g. industrial, offices, etc.) or diversified. Malaysia saw the establishment of its first Islamic REIT in 2005.

Jennifer Chang
PwC (Malaysia)
Tel: +60 3 2173-1188
jennifer.chang@my.pwc.com

While the Malaysian REIT market is still relatively small and untapped compared to other regional markets such as Singapore or Australia, it is expected to continue growing. As of 31 December 2014, there are 16 listed REITs, three of which are Islamic funds.

REITs in Malaysia are principally governed by the Securities Commission of Malaysia (SC). Malaysian REITs are managed by management companies approved by the SC, while properties are held by appointed trustee(s).

Legal form
Malaysian REITs are governed by general trust law. Trusts are not separate legal entities, but are generally a set of obligations accepted by a trustee in relation to the properties held in trust for beneficiaries.

Capital requirements
The initial size of a REIT should be at least MYR 100m (approximately EUR 23.22m as of 10 August 2015). The SC, however, reserves the right to review the reasonableness of the REITs size.

Listing requirements
Only REITs registered with the SC are allowed to be listed on Bursa Malaysia.

Restrictions on investors
Minimum number of investors
There is no minimum requirement on the number or composition of units that must be subscribed to.

Restrictions on non-resident investors
There are no restrictions on non-resident unitholders of REITs.

Asset/income/activity tests
A REIT may only invest in the following assets:
- Real estate;
- Single-purpose companies;
- Real estate-related assets;
- Non-real estate-related assets; and
- Cash, deposits and money market instruments.

At least 50% of the REITs total asset value must be invested in real estate and/or single-purpose companies at all times. Investment in non-real estate-related assets and/or cash, deposits and money market instruments must not exceed 25% of the REITs total asset value.

REITs are not permitted to extend loans or any other credit facilities; or develop properties; or acquire vacant land.

All real estate acquired by REITs must be insured for full replacement value, including loss of rental, where appropriate, with insurance companies approved by the trustee.

Restrictions on foreign assets
There are no restrictions on the acquisition of foreign assets.

Distribution requirements
Distribution of income should only be made from realised gains or realised income. There is no minimum

requirement on how much REITs have to distribute to unitholders.

Tax treatment at REIT level

The taxation of a REIT depends on the amount of income that is distributed to unitholders. If a REIT distributes 90% of its taxable income, tax transparency rules will apply, and the REIT would not be subject to corporate income tax. If this 90% condition is not met, the REIT would be subject to tax at the prevailing corporate income tax rate of 25%. General deductibility rules would apply to the REIT.

Withholding tax on distributions

Where a REIT has been taxed for a year of assessment (i.e. failed to meet the 90% distribution requirement for tax transparency), the income distributed to investors would have tax credits attached to them. Resident investors can set off such tax credits against their own tax payable on such distributions received. Non-resident investors will not be subject to any further tax or withholding tax.

Where tax transparency has been achieved, the REIT does not pay income tax. Distributions made to investors will instead (except for resident companies) be subjected to a withholding tax mechanism which is a final tax. The rates of withholding tax are:

WHT rates

Category	WHT rate
Individuals and all other non-corporate investors such as institutional investors (resident and non-resident)	10%
Non-resident corporate investors	25%
Resident corporate investors	No withholding tax deducted for resident companies which pay corporate tax

Tax treatment at the investor level

There is no capital gains tax regime in Malaysia for the sale of shares or marketable securities. Normally, gains received by investors from disposal of REIT units will be treated as capital gains and not subject to income tax. The exception would be financial institutions and investment dealing companies where such gains are treated to be revenue in nature and subject to normal income tax.

Tax transparency applies

Resident individual and all other non-corporate resident investors

Where a REIT is treated as tax transparent and no tax is paid, individuals and all other non-corporate investors such as institutional investors (resident) are subject to a final withholding tax of 10% up to year of assessment (YA) 2016. The withholding tax imposed is a final tax and individual as well as non-corporate resident unitholders need not declare the income received from the REIT in their income tax returns.

Resident corporate investors

Where a REIT does not pay corporate income tax, resident corporate investors would have to file tax returns and declare such REIT income which is taxed at 25%.

Non-resident individual investors

Where the REIT is not subject to income tax due to tax transparency, individual unitholders are subject to a final 10% withholding tax up to YA 2016.

Non-resident non-corporate investors

Where corporate income tax has not been levied at the REIT level, non-resident institutional investors (i.e. pension funds and collective investment schemes or such other person approved by the Minister of Finance) are subject to a final withholding tax of 10% up to YA 2016.

Non-resident corporate investors

Non-resident corporate investors are subject to final withholding tax of 25% on distributions that have not been taxed at the REIT level.

Tax transparency does not apply

Resident individual and all other non-corporate resident investors

Where income tax is paid by the REIT, individual and non-corporate resident unitholders would be entitled to a tax credit.

Resident corporate investors

Where tax has been levied at REIT level, the resident corporate investors are entitled to tax credits.

Non-resident individual investors

Individual non-resident unitholders who receive distributions from REITs which have paid corporate income tax would not be subject to any further Malaysian tax. Where individual non- resident unitholders are subject to income tax in their respective jurisdictions, depending on the provisions of their country's tax legislation, they may be entitled to tax credits paid by the REIT.

Non-resident non-corporate investors

Distributions to non-resident institutional investors which have been taxed at the REIT-level would not suffer further income tax, and depending on the provisions of their country's tax legislation, they may be entitled to tax credits paid by the REIT.

Non-resident corporate investors

Where the tax has been levied at REIT level, no further taxes or withholding tax would be applicable to non-resident corporate investors. They may be subject to tax in their respective jurisdictions, depending on the provisions of their country's tax legislation, they may be entitled to tax credits paid by the REIT.

Tax incentives to REITS

Other tax incentives include exemptions from stamp duty in respect of all instruments of transfer of real property and instruments of deed of assignments to REITs; exemption from real property gains tax ('RPGT'); and allowable deductions on establishment expenditure incurred by REITs.

Disposals of properties by REITs subsequently will be subject to RPGT. The chargeable gain on disposal of chargeable asset from the date of acquisition would be taxed as follows:

RPGT rates

Holding period	RPGT rate (1/1/2014 onwards)
Disposal within 3 years of acquisition	30%
Disposal in the 4th year of acquisition	20%
Disposal in the 5th year of acquisition	15%
Disposal in the 6th and subsequent years of acquisition	5%

Exempt Income

Since REITs are considered to be unit trusts, tax exemption is available on certain income including interest or discount income from the following investments:

- securities or bonds issued or guaranteed by the Government;
- debentures or Islamic securities, other than convertible loan stocks, approved by the Securities Commission ('SC');
- Bon Simpanan Malaysia issued by Bank Negara Malaysia;
- Interest income from Islamic securities originated in Malaysia, other than convertible loans stock issued in any currency other than Ringgit Malaysia and approved by the SC and Labuan Offshore Financial Services Authority; and
- bonds and securities issued by Pengurusan Danaharta Nasional Berhad.

Interest paid or credited by any bank or financial institution licensed under the Banking and Financial Institutions Act 1989 or the Islamic Banking Act 1983 are tax exempted.

Offshore sourced income received by the REIT from overseas investment will also be tax exempted.

The income exempted from tax at REIT level will also be exempted from tax upon distribution to Unitholders.

Mexico

Mexican REITs continue growing as a potential vehicle while doing business in Mexico and are becoming more popular for public investors as well as real estate developers and operators. With the objective of fostering investment in real estate infrastructure in Mexico, a number of provisions were incorporated into the Mexican Income Tax Law (MITL) since 2005, which established the requirements for a trust to receive a particular – beneficial – tax treatment.

Mexican REITs were welcomed by Mexican investors. However, investors remain cautious for using this kind of platform in order to raise new investments in Mexico. The first Mexican REIT listed on the Mexican Stock Exchange was put in place in 2011, and now there are around 10 Mexican REITs (FIBRAS) listed.

Mauricio Hurtado
PwC Mexico Tax Leader
Tel: +52 55 5263-6045
mauricio.hurtado@mx.pwc.com

David Cuellar
PwC (Mexico)
Tel: +52 55 5263-5816
david.cuellar@mx.pwc.com

Patricia González
PwC (Mexico)
Tel: + 52 55 5263-6057
patricia.gonzalez@mx.pwc.com

Mario Alberto Gutiérrez
PwC (Mexico)
Tel: + 52 55 5263-5827
mario.alberto.gutierrez@mx.pwc.com

Mario Alberto Rocha
PwC (Mexico)
Tel: + 52 55 5263-8602
mario.alberto.rocha@mx.pwc.com

Marco A. Nava
PwC (Mexico)
Tel: + 52 55 5263-5894
marco.nava@mx.pwc.com

The Mexican Stock Exchange Market has intensified the promotion of public REITs in Mexico. In 2011, the market had a 'first mover' known as Fibra Uno, and later it was followed by a hospitality REIT doing business with a well-known chain of hotel rooms in Mexico and other industrial property REITs. Currently, around 10 REITs are listed in the Mexican Stock Exchange Market and they continue growing.

Legal form

Mexican REITs can only have the legal form of trusts, incorporated under Mexican laws, and with a Mexican resident credit institution acting as trustee.

Mexican corporations or limited liability companies incorporated under Mexican laws that pursue substantially the same business purpose of Mexican REITs (known as REICs) are no longer entitled to similar benefits than REITs since January 1, 2014.

Capital requirements

There are no specific capital requirements for Mexican REITs.

At least 70% of the equity of the Mexican REIT should be invested in real estate projects (or rights derived from them). The surplus of such equity (the other 30%) should be invested in government bonds.

Listing requirements

Mexican REITs should be listed on the Mexican Stock Exchange. It is possible to have a privately funded Mexican REIT, but it will not have access to all the tax benefits available for Mexican REITs.

Restrictions on investors

Minimum number of shareholders

Participation certificates for the goods that are part of the Mexican REITs equity are issued by the trustee. These certificates must be publicly traded or acquired by a group of investors formed by at least 10 unrelated parties, whereby none of them may individually hold more than 20% of the total amount of the certificates issued.

Restrictions on foreign shareholders

There are no specific restrictions on foreign shareholders.

Asset/income/activity tests

The Mexican REITs main purpose must be the construction or acquisition of real estate intended for lease (and possible subsequent alienation), the acquisition of the right to obtain revenues from such leases and the granting of financing for said purposes guaranteed by the assets.

As previously mentioned, the Mexican REIT must invest at least 70% of its equity in real estate or rights derived from it. The other 30% should be invested in government bonds.

The real estate acquired or developed must be leased and owned for a period of at least four years after the date on which such real estate was acquired or developed before alienating it. Mexican REITs are not allowed to have investments in subsidiaries.

Restrictions on foreign assets

There are no restrictions on foreign assets.

Distribution requirements

The Mexican REIT must distribute at least once per year before 15 March, at least 95% of its prior year's taxable income to its holders.

Tax treatment at REIT level

The taxation of Mexican REITs income occurs at the holder level. The trustee will determine the taxable income according to the general rules provided in the MITL, considering the income generated by the Mexican REITs assets.

Once determined, the taxable income will be divided between the number of participation certificates issued by the trust to determine the amount of the taxable income that corresponds to each holder.

Lastly, the trustee will withhold the corresponding income tax from the amount of the distribution made to each holder by applying the 30% tax rate (applicable for 2015).

Please note that when the FIBRA participation certificates are publicly traded, the financial intermediary having the custody of the certificates should be the person in charge of with-holding the corresponding income tax.

When the Mexican REIT certificates are publicly traded and sold on a recognised stock market, foreign resident individual holders will be exempt from Mexican income tax on the sale of such certificates.

Withholding tax on distributions

Starting from January 1, 2014; profits distributed by a Mexican entity and/or business trusts to a foreign resident or Mexican individuals would be subject to a 10% withholding tax rate in Mexico on the gross proceeds.

It has to be analysed in detail on a case by case basis whether or not a REIT should be subject to the 10% with-holding tax on profit distributions.

Tax treatment at the investor level

Resident investors

Individual investors

Mexican resident individuals will consider the income received from the Mexican REIT as income arising from certificates in immovable property. They will accrue the total amount of the taxable income related to their participation certificates, without claiming a deduction for the income tax withheld by the trustee. Such income tax will be creditable against their income tax liability of the corresponding year.

With regard to capital gains derived from the disposal of the Mexican REIT certificates, Mexican resident individual holders will be subject to Mexican income tax on the gain arising from the sale of the certificates in the Mexican REIT. The gain will be the difference between the sale price of the certificates and their tax basis.

When the Mexican REIT certificates are publicly traded and sold on recognised stock market, Mexican individual holders will be exempt from Mexican income tax on the sale of such certificates.

Corporate investors

Mexican resident corporate holders must accrue the total amount of the taxable income related to their participation certificates, without claiming a deduction for the income tax with-held by the trustee. Such income tax will be creditable against their income tax liability of the corresponding year. Holders that are exempt from Mexican income tax with respect to the income generated by the trust should not accrue said income.

Capital gains derived from the disposal of the Mexican REIT certificates will be taxable in Mexico on the gain arising from the sale of the certificates in the Mexican REIT. The gain should be the difference between the sale price of the certificates and their tax basis.

Non-resident investors

Individual investors

Non-resident individuals holding Mexican REIT certificates will consider the withholding carried out by the trustee as a final income tax payment. For the case of capital gains from the disposal of a Mexican REIT certificates, the buyer must withhold and remit to the tax authorities the income tax related to the transaction. The MITL provides a 10% withholding rate on the gross amount of the sale. This will not apply to the extent the foreign resident seller is exempt from income tax on the income arising from the Mexican REITs assets (e.g. some pension funds)

Transition to REIT/Tax privileges

The specific tax incentives for Mexican REITs include:

- Deferral of the income tax on the contribution of real estate to a Mexican REIT. The holders of the Mexican REIT certificates should consider as taxable income the gain on such contribution until they sell the corresponding certificates, or the Mexican REIT sells the real estate contributed by the holders. The deferred gain should be restated by inflation as from the moment in which the real estate was contributed into the Mexican REIT until the moment in which the certificates or the real estate are sold.
- The Mexican REIT is not obliged to file monthly estimated advanced income tax payments (note that flat tax was eliminated as consequence of the 2014 Mexican tax reform). This

results in no cash disbursements for income tax until the moment in which the annual tax return is filed.
- Foreign resident pension funds investing in a Mexican REIT will be exempt from Mexican income tax on the amount related to their investment, to the extent such funds are exempt from income tax in their country of residence and they are registered before the Mexican tax authorities, provided several conditions are met.

Miscellaneous regulations

It is important to consider that several Miscellaneous regulations have been issued by the Mexican tax authorities to rule some of the participants of the FIBRA, such as the credit institution acting as trustee, or the financial intermediary holding the certificates for publicly traded FIBRAs. Also other specific rules have been issued regarding FIBRAs engaged in the hospitality industry that must be analysed in detail before implementation.

Singapore

The REIT regime in Singapore was officially launched in 1999, although the first Singaporean REIT (S-REIT) was listed on the Singapore Exchange (SGX) in 2002.

The S-REIT market has grown exponentially in the last few years and has established itself as one of the largest in Asia. To date, 34 S-REITs are listed on the SGX. More are likely to be listed once the stock market conditions improve. The total market capitalisation of S-REITs was approximately SGD 67bn as of July 2015.

Wee Hwee Teo
PwC (Singapore)
Tel: +65 6236-7618
wee.hwee.teo@sg.pwc.com

Anulekha Samant
PwC (Singapore)
Tel: +65 6236-3647
anulekha.samant@sg.pwc.com

Multiple factors fuelled the accelerated growth of the S-REIT market. On the regulatory front, a strong framework and comprehensive investment guidelines for property funds were put in place to instil confidence in the S-REIT industry. The tax regime was also crafted to confer attractive tax concessions to S-REITs in terms of flow-through treatment for certain classes of income, exemption of specified foreign income, stamp duty remission on property transfers, etc.

Legal form

In Singapore, a S-REIT is constituted as a unit trust and is governed by the Collective Investment Scheme regime.

Capital requirements

A listed S-REIT must have a minimum market capitalisation of SGD 300m based on issue price and post-invitation issued share capital when seeking a listing.

Listing requirements

Although S-REITs can be listed or unlisted, listing is necessary to qualify for tax concessions.

Restrictions on investors

Minimum number of investors

For listed S-REITs denominated in Singapore dollars, at least 25% of the share capital or units must be held by a minimum of 500 public shareholders. For S-REITs denominated in foreign currencies, the 'spread of holders' requirement must be complied with.

Restrictions on non-resident investors

There are no restrictions on non-resident investors.

Asset/income/activity tests

A S-REIT, being a property fund, is bound by the Code on Collective Investment Schemes (the 'Code') and the Property Fund Guidelines (PFG) appended to the Code.

The scope of investments which a S-REIT is allowed to make is restricted to the following types of 'permissible investments':

- Real estate in or outside Singapore
- Real estate-related assets
- Debt securities and listed shares of non-property corporations
- Securities issued by a government, supranational agency or Singapore statutory board and
- Cash and cash equivalents.

Moreover, a S-REIT is also subject to the restrictions in terms of its investment activities including:

- At least 75% of the deposited property should be invested in income-producing real estate;
- The fund should not undertake property development activities or invest in unlisted property development companies unless it intends to hold the developed property upon completion;
- The fund should not invest in vacant land or mortgages (except for mortgage-backed securities);
- The total contract value of property development activities and

- investments in uncompleted property developments should not exceed 10% of the value of deposited property (this limit can be increased to 25% subject to certain conditions); and
- Not more than 5% of the deposited property should be invested in any one issuer's securities or manager's funds.

Restrictions on foreign assets
There are no restrictions on the ownership of foreign assets.

Distribution requirements
Strictly, there is no legal or regulatory requirement for a S-REIT to distribute any predetermined percentage of its income as distributions for a given financial year.

However, in order to enjoy tax transparency treatment, a S-REIT will be required to distribute at least 90% of its 'Taxable Income' in a financial year. 'Taxable Income' refers to the following:

a) Rental income or income from the management or holding of immoveable property but excluding gains from the disposal of immovable property;
b) Income that is ancillary to the management or holding of immoveable property but excluding gains from the disposal of immoveable property and Singaporean dividends;
c) Income (excluding Singaporean dividends) that is payable out of rental income or income from the management or holding of immoveable property in Singapore, but not out of gains from the disposal of such immoveable property; and
d) Distributions from an approved sub-trust of the real estate investment trust out of income referred to in (a) or (b) above.

Tax treatment at REIT level
Subject to obtaining the necessary approvals from the Inland Revenue Authority of Singapore (IRAS), a S-REIT can enjoy 'tax transparency' treatment for taxable income distributed to its unitholders. Under this treatment, the trustee will not be taxed in respect of the S-REIT's income. Instead, tax (if any) is levied only at the level of the unitholder. Any portion of the specified income not distributed will be assessed to a final tax at the trustee level.

Foreign-sourced dividend income received by a S-REIT may be exempt from tax under section 13(8) of the Income Tax Act (ITA), provided certain qualifying conditions are met. If the foreign-sourced dividend income does not qualify for the section 13(8) exemption, or if the foreign income is not dividend income (e.g. interest income on shareholders' loans), the S-REIT may apply to the IRAS for tax exemption under section 13(12) of the ITA for qualifying foreign-sourced income that is received in Singapore on or before 31 March 2020.

Rental and related income derived by a S-REIT will likely be treated as income derived from the business of the making of investments in accordance with section 10E of the ITA. These provisions do not allow the carry forward or set-off of any tax losses or unused tax depreciation for a particular year of assessment.

Withholding tax on distributions
Distributions out of taxable income
No tax will be withheld on distributions to the following unitholders:

- Individuals;
- Companies incorporated and resident in Singapore;
- Branches in Singapore that have obtained approval to receive such distributions without deduction of tax; and
- A body of persons constituted or registered in Singapore.

Tax will be withheld at 10% on distributions to non-resident non-individuals. Tax will be withheld at the prevailing corporate tax rate (currently 17%) on distributions to all other persons.

Distributions out of other income
Distributions made by a S-REIT out of the following will be exempt from Singaporean tax in the hands of all unitholders:

- Income taxed at the trustee level;
- Capital gains;
- Income originating from the holding of foreign properties, which is exempt under sections 13(8) or 13(12) of the ITA; and
- Dividends from Singaporean companies.

Tax treatment at the investor level
Resident investors
Individual investors

- Distributions made by a S-REIT to individuals will be exempt from Singaporean income tax unless the distributions are made out of taxable income and they receive the distributions as their trading income or through a partnership, in which case the distribution will be subject to income tax at the prevailing rate.
- Any gain derived by unitholders from the sale of their units will not be subject to tax as long as the gain is not derived from the carrying on of a trade or business in Singapore. Unitholders who trade or deal in investments will be subject to tax on any gain derived from the disposal of the units.

Corporate investors

- Distributions by a S-REIT out of taxable income to companies incorporated and resident in Singapore are subject to Singaporean income tax at the prevailing corporate tax rate (currently 17%). Distributions out of other income as specified above will be exempt from tax.

Non-resident investors
Individual investors

- As above, distributions made by a S-REIT to individuals will be exempt from Singaporean withholding tax.

Corporate investors

- Distributions by S-REITs to non-individual persons who are not tax resident in Singapore and either do not have a permanent establishment (PE) in Singapore or, where they carry out operations through PEs in Singapore, do not use funds from these operations to acquire units, will be subject to 10% withholding tax (for distributions made on or before 31 March 2020). This tax is a final tax.

Although Singapore has concluded a wide network of tax treaties, S-REITs will in reality find it difficult to access the benefits provided under these treaties because the IRAS, as a matter of policy and practice, has been reluctant to certify a S-REIT as a Singaporean tax resident for tax treaty purposes.

Transition to REIT/Tax privileges

Stamp duty remission is granted on the transfer of any Singaporean immoveable property (on or before 31 March 2015) into a listed S-REIT or into one to be listed within six months from the date of transfer. Stamp duty remission is also available for the transfer of shares in a special purpose vehicle that holds, directly or indirectly, immoveable property located outside Singapore.

However, such stamp duty remissions have been withdrawn with effect from 1 April 2015.

A Goods and Services Tax (GST) concession is available whereby S-REITs that derive primarily dividend income or distributions (which are not taxable supplies for GST purposes) can claim input tax on business expenses incurred between 17 February 2006 and 31 March 2020. This concession is subject to certain conditions but is available regardless of whether the S-REIT can be registered for GST purposes.

To facilitate fundraising by S-REITs through the use of special purpose vehicles (SPVs), the GST concession has been enhanced to include SPVs set up solely to raise funds for the REITs and that do not hold qualifying assets of the REITs whether directly or indirectly. The enhanced concession will apply to GST on the expenses incurred to set up the SPVs as well as the GST on the business expenses of such SPVs.

South Africa

The South African REIT Market is still in its infancy, having only commenced on 1 May 2013.

Craig Miller
PwC (South Africa)
Tel: +27 (11) 287-0738
craig.miller@za.pwc.com

With effect from 1 May 2013, a formalized REIT Regime commenced in South Africa, bringing a sense of familiarity to foreign investors owing to the fact that the South African REIT regime attempts to mirror international best practice. The South African REIT regime is mainly based on the NAREIT in the US and EPRA in Europe.

A South African REIT refers to a company (as defined in the Income Tax Act No. 58 of 1962 (the Income Tax Act)) that owns and operates income-producing immovable property and is listed on the JSE.

The regime is essentially designed to provide for a 'flow-through' structure that results in taxable income arising from distributions accrued or received in the hands of a shareholder.

In order to achieve this 'flow-through structure', section 25BB of the Income Tax Act regulates the taxation of South African REIT's and, provides for the deduction of dividends declared by a REIT or interest incurred in respect of debentures on linked units issued by a REIT, including an exemption from capital gains tax in certain instances.

The dividends distributed by a REIT do not qualify for the dividend exemption in the hands of the shareholder unless it is distributed to a non-resident (in which case such dividends are subject to a dividend withholding tax as a final tax). Consequently, a South African tax resident shareholder is generally taxed on the dividends received from a REIT (in which case no dividends tax is imposed on such distribution).

Furthermore, a REIT does not qualify for capital allowances on fixed property.

It should also be noted that certain income (e.g., income from financial instruments) will still be taxed as ordinary revenue in the hands of the REIT unless the REIT is able to distribute a matching amount which qualifies as a deduction for income tax purposes.

Legal form

There are two types of South African REIT's, namely "Company REIT's" and "Trust REIT's".

Key characteristics of a Company REIT are:

- the name will end with 'Limited' or 'LTD' and it will also have a company registration number;
- the shareholders are active participants and enjoy the full protection of the Companies Act and Takeovers Regulations Panel;
- the shareholders can vote on specific issues in a general meetings;
- shareholders vote for the company to qualify as a REIT;
- the company has the REIT Structure recorded in its memorandum of incorporation;
- the Company directors are responsible for its ongoing compliance with the JSE's Listings Requirements and the Companies Act; and
- the company can have external or internal management and/or property administration.

The key characteristics of a Trust REIT are:

- investors' interests are protected by a trust deed and the trustee, whose role it is to ensure compliance with the

- Collective Investment Schemes Control Act and to safeguard investors' assets;
- a Trust REIT is not subject to Takeover Regulations;
- trustees report to the Registrar and must meet all the requirements of the Collective Investment Schemes Control Act; and
- in terms of the Collective Investment Schemes Control Act, a Trust REIT must have an external asset and property manager.

Capital requirements

A REIT must have at least ZAR 300m of gross assets as reflected in its financial statements. Furthermore, the REIT SA must have debt below 60% of its gross asset value.

Listing requirements

If a company is desirous of receiving REIT status, an application must be made to list as an REIT on the JSE. The JSE has certain requirements for listing as well as additional requirements that must be met in order to achieve REIT status.

The requirements set out by the JSE in section 13 of its Listings Requirements may be summarized as follows:

A REIT must:

- own property worth at least 300 South African Rand;
- maintain its debt below 60% of its gross asset value;
- earn 75% of its income from rental or from property owned or investment income from indirect property ownership;
- have a committee in place to monitor risk;
- not enter into derivative instruments that are not in the ordinary course of business; and
- distribute at least 75% of its taxable earnings available for distribution to its investors each year.

Restrictions on investors

There are no restrictions on investors.

Asset/income/activity tests

There are no specific investment restrictions for REIT's, however there are certain restrictions in terms of activities which are discussed in more detail below.

In accordance with section 13 of the JSE Listings Requirement, a REIT must derive 75% of its revenue as reflected on the statement of comprehensive income from rental revenue. This is a requirement that must be upheld in order for the REIT to retain its REIT status. Rental income is defined in section 25(1)BB of the Income Tax Act to be:

- An amount received or accrued in respect of the use of immovable property, including any penalty or interest in respect of late payment of any such amount;
- A dividend from a company that is a REIT;
- A qualifying distribution from a company that is a controlled company; and
- A dividend or a foreign dividend from a company that is a property company.

Consequently, the main activity of a REIT will be to produce rental income or to invest in companies that predominantly own property.

Restrictions on foreign assets

Taxation of a Foreign REIT holding assets in South Africa   There are no special rules for the taxation of foreign REITs and they are treated like any other investor.

If the foreign REIT holds the shares in the South African REIT on revenue account, it would need to be determined whether South Africa could tax on the gains on the basis of South African deemed source rules. South African deemed source rules would apply where a non-resident has an interest in immovable property which circumstances would arise if that person holds (directly or indirectly and together with any connected person) at least 20% of the shares in that company and at least 80% of the gross assets of that company were attributable to immovable property. Even in these circumstances, the provisions of any applicable double tax treaty also need to be considered.

If the foreign REIT is deemed to hold the shares in the South African REIT on capital account, and unless a treaty allocates sole taxing rights to the jurisdiction of the non-resident holder, South Africa will similarly impose capital gains tax if the company has a right or interest in immovable property.

Taxation of Investors Holding Shares in a Foreign REIT   Income from foreign dividends is exempt if the owner owns 10% or more of the shares whether the shareholder is an individual a company or a trust. If the owner of the shares holds less than 10% then the dividend received from the foreign REIT will be taxed in accordance with the normal tax rules applicable to that shareholder, subject to a possible reduction of the tax rate if a tax treaty applies.

Gains arising on the disposal of shares in a foreign REIT would depend on whether the South African investor is holding the shares on revenue or capital account. If the shares are held on capital account, it may be possible that any gain is exempt from South African income tax on the basis of a participation exemption.

Distribution requirements

To benefit from the rules set out under section 25BB of the Income Tax Act, 75% of an REIT's taxable earnings must be distributed to its investors on an annual basis.

Tax treatment at REIT level

Corporate Income Tax

Determination of taxable income

The Income Tax Act deals with the taxation of South African REIT's as well as so-called controlled companies in relation to REIT's.

A 'controlled company' is a subsidiary of a REIT, subsidiary in this instance means that the REIT must have control over the company.

Both, a REIT and a controlled company may deduct 'qualifying distributions' for purposes of determining its respective taxable income for the year of assessment.

A qualifying distribution is defined as interest incurred by virtue of a debenture on a linked unit or dividends paid or payable by a REIT or a 'controlled company' if the amount thereof is determined with reference to the financial results of the company as reflected in the financial statements for that year of assessment and 75% of the gross income of the REIT or controlled company is attributable to rental income in the preceding year of assessment. (If it is the first year of assessment for the REIT or the controlled company, then the 75% test is to be applied in respect of the current year of assessment.)

If one bears in mind that at least 75% of the taxable earnings of a REIT must be distributed each year, then a REIT will invariably claim a deduction of a significant amount from its income.

However, the deduction of the 'qualifying distributions' may not exceed the income of the REIT before taking into account:

- any assessed loss bought forward; and
- any taxable capital gain.

This means that the deduction of a 'qualifying distribution' may not in itself create an assessed loss for either a REIT or a 'controlled company'.

Any amounts derived from a financial instrument held by a REIT or controlled company must be included in the income of that entity. (However, amounts arising from the sale of shares or linked units in a REIT, controlled company or property company are disregarded.)

Capital gains tax and capital allowances

Capital gains (or loss) will be disregarded for both a REIT and a 'controlled company' in terms of the disposal of any:

- Immovable property;
- A share or a linked unit in a company that is a REIT on the day of disposal; or
- A share in a company that is a property company at the time of the dispoal.

Furthermore, the following capital allowances may not be deducted in respect of immovable property:

- deductions in respect of leasehold improvement;
- deductions in respect of buildings used in a manufacturing process;
- deductions in respect of building used by hotel keepers;
- deductions in respect of the erection or improvement of buildings in the urban development zones;
- deductions in respect of commercial buildings; and
- deductions in respect of certain residential units.

Withholding tax on distributions

In accordance with South African domestic tax law, dividends paid to non-residents for tax purposes will be subject to 15% withholding tax. This amount may be reduced by an applicable DTA.

South African investors will be exempt from the 15% dividend tax, however they

Tax treatment at the investor level

Resident investors

South African Private Investors (Individual or Company)

There is no exemption from income tax in relation to distributions received from a REIT. Consequently, the tax consequences in the hands of each shareholder will depend on the nature and profile of the shareholder concerned. Therefore, if the shareholder is not an exempt entity such as an pension fund, the dividend received from the REIT SA will be included in the shareholder's gross income which will be taxed at 28% (if the shareholder is a company) or at the marginal rate applicable to the individual.

Institutional Investors

Certain institutions such as pension funds are exempt from tax and will therefore not be taxed on the dividends received from a REIT.

Non-resident investors

Foreign Investors

Non-residents may be subject to capital gains tax on the disposal of shares in an REIT where that that person held (directly or indirectly and together with any connected person) at least 20% of the shares in the company and at least 80% of the gross assets of that company were attributable to immovable property. South Africa's ability to impose capital gains tax in these circumstances may still be subject to the allocation of taxing rights by an applicable DTA.

In accordance with South African domestic tax law, dividends paid to non-residents for tax purposes will be subject to 15% withholding tax. This amount may be reduced by an applicable DTA.

South African investors will be exempt from the 15% dividend tax, however they will be taxed in accordance with their marginal income tax rate in relation to amounts accrued or received as a distribution from a REIT.

Transition to REIT/Tax privileges

Section 25BB(7) of the Income Tax Act determines that when a company ceases to be a REIT or a controlled company in relation to a REIT, its year of assessment is deemed to end on that day and the first day of the next year of assessment commences on the following day. In the following year, the company will then be liable for tax in terms of normal company tax and the REIT tax regime will no longer apply.

South Korea

There are three types of REITs (comprehensively 'the REIT') in Korea: Self-managed REIT (K-REIT), Paper company type REIT (P-REIT) and Corporate Restructuring REIT (CR-REIT). P-REIT and CR-REIT are paper companies (special purpose companies).

K-REIT and CR-REIT were introduced by the so-called Real Estate Investment Company Act (REICA), which was enacted in April 2001.

Taejin Park
PwC (South Korea)
Tel: +82 2 709-8833
tjpark@samil.com

Jaedok Lee
PwC (South Korea)
Tel: +82 2 709-0282
jdlee@samil.com

Ashley Choi
PwC (South Korea)
Tel: +82 2 3781-9243
jashley.choi@samil.com

So as to boost the foreign investment in Korean REIT market, the Korean Ministry of Land Transport and Maritime Affairs (MLTM) amended the REICA again in March 2013 by specifying the subordinate regulation.

As of March 2015, there are 32 CR-REITs, 11 K-REITs and 57 P-REITs showing a total asset value of KRW 15,000bn.

Legal form

The REIT, as a legal entity, is incorporated as a form of general stock corporation.

Capital requirements

The required minimum capital amount is KRW 0.5bn[1] at establishment. However, the K-REIT must increase capital up to KRW 7bn and the P-REITs and CR-REITs must increase capital up to KRW 5bn within the minimum capital preparation period, which is six months from the date of operation approval.

Listing requirements

K-REIT and P-REIT must publicly offer more than 30% of total issued shares within one and a half year from the date of operation approval. Then it must list its stocks on the securities market of the Korea Stock Exchange or register them with the Korea Stock Exchange or in the association brokerage market of the Korea Securities Dealers Association if certain conditions are met. But, K-REIT and P-REIT is not allowed to publicly offer before the date of operation approval.

CR-REIT is not restricted in this public offer rule.

Restrictions on investors

Minimum number of investors

One shareholder and anyone who is specially related with the shareholder shall not possess in excess of 30% of the total stocks issued by K-REIT, and 40% of the total stocks issued by P-REIT after the minimum capital preparation period.

This provision does not apply within the minimum capital preparation period. CR-REITs are not subject to this restriction.

Restrictions on non-resident investors

There are no restrictions on non-resident investors.

Asset/income/activity tests

Except for CR-REIT, at least 80% of a K-REIT and P-REITs total assets must be invested in real estate, real estate-related securities and cash as of the end of each quarter after the minimum capital preparation period. In addition to those requirements, at least 70% of a K-REIT and P-REITs total assets must be real estate (including buildings under construction).

In case of CR-REIT, 70% or more of the CR-REITs total assets must consist of

[1] The required minimum capital amount for K-REITs at establishment would be KRW 1bn.

real estate that a company sells in order to repay its existing borrowings, real estate for the purpose of the execution of a financial restructuring plan and the execution of a corporate restructuring plan.

The minimum real estate holding period of a REIT is one years. There are no restrictions on a CR-REIT.

REITs are allowed to invest their entire assets in real estate development projects.

REITs shall not acquire more than 10% of the voting shares in other companies except for the cases including merger and acquisition.

Restrictions on foreign assets

There are no clear guidelines on the REITs holding foreign assets.

Distribution requirements

The REIT is obliged to distribute at least 90% of its distributable income. The term 'distributable income' is the net asset value excluding capital and capital reserve.

Tax treatment at REIT level

Under Article 51-2 of the Corporate Income Tax Act (CITA), if a CR-REIT or a P-REIT declares 90% or more of its distributable income as dividend, the amount declared as dividend can be deducted from the REITs taxable income.

Moreover, legal reserve of retained earnings is not required to be accumulated.

Therefore, income derived by a CR-REIT or a P-REIT is effectively exempt from Corporate Income Tax (CIT) to the extent a CR-REIT or a P-REIT declares the income as dividend.

Withholding tax on distributions

Dividend distributions by the REIT to residents are subject to a 15.4% with-holding tax (including residential surtax).

Dividend distributions to non-residents that do not maintain a permanent establishment (PE) in Korea are subject to 22% withholding tax. If the tax treaties are applicable, the withholding tax rate can be reduced by Korean double tax treaties.

For domestic corporations, dividend income received by a REIT is not subject to withholding tax.

A foreign company that does not have permanent establishment is subject to withholding tax at a rate of 22% including a residential surtax. In the case of a tax treaty, the rate can be reduced.

Tax treatment at the investor level

Resident investors

Individual investors

When a resident individual shareholder disposes of REIT shares that are listed on the Korea Stock Exchange or that are registered with KOSDAQ, the capital gains will be treated as follows:

- Capital gains are exempt from income tax if an individual is a minor share-holder, i.e. a shareholder (including related parties to him/her) that holds less than 2% of REIT shares that are listed on the Korean Stock Exchange or less than 4% of REIT shares that are registered with KOSDAQ;
- If an individual shareholder (including related parties to him/her) holds more than 2% in REIT shares that are listed on the Korean Stock Exchange or more than 4% in REIT shares that are registered with KOSDAQ, respectively, capital gains are subject to income tax at a rate of 22% (33% if the shares are sold within one year from the acquisition date).

Corporate investors

Dividends and capital gains derived from the disposal of REIT shares are fully subject to corporate income tax at a rate of 24.2%.

Non-resident investors

Individual investors

The disposal of REIT shares is not taxable if the respective REIT is listed on the Korean Stock Exchange or registered with KOSDAQ and the non-resident individual shareholder (including related parties to him/her) holds or has held less than 25% of the REIT shares at any time

during the year of disposal and the preceding five calendar years.

Capital gains arising from the disposal of REIT shares by non-resident individual shareholders are subject to Korean withholding tax. Withholding tax is assessed at the lesser amount of 22% on the capital gain or 11% on the gross proceeds. In the case of non-listed REIT shares, the individual income tax return will be required and then the total tax burden will be 6.6% to 41.8%, depending on the tax bases with the above withheld amount being deducted.

Corporate investors

If the respective REIT is listed on the Korea Stock Exchange or registered with KOSDAQ, the same exception applies as for foreign individual shareholders. In that case a capital gain from disposal is not taxable.

Capital gains arising from the disposal of REIT shares by foreign corporations that do not have a PE in Korea are subject to Korean withholding tax. The withholding tax is the lesser amount of 22% (including Resident surtax) on the capital gains or 11% (including Resident surtax) on the gross proceeds. In the case of non-listed REIT shares, a corporate income tax return will be required and then the final tax burden will be 24.2%, depending on the tax bases, with the above withheld amount being deducted.

Transition to REIT/Tax privileges

Acquisition tax on transfer of real estate is generally levied at a rate of 4.6% including Agriculture and Fishery Tax, and Education surtax.

Spain

Spain introduced in October 2009 the SOCIMI regime ('Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario'), the Spanish version of a REIT vehicle. SOCIMIs are listed corporations whose main activity is direct and indirect investment in urban real estate for lease. In December 2012, significant amendments to the REIT Act were introduced for tax periods starting on or after 1 January 2013, including the 0% CIT rate for the REIT vehicle. The reform was oriented to relax many of the requirements and make the regime more attractive overall converting the SOCIMI into the most tax efficient structure to invest in urban real estate for lease in Spain.

In the context of a change of sentiment towards Spanish real estate, the new SOCIMI rules have marked a turning point in the short history of the SOCIMI with a remarkable record of entrants to the Spanish regime so far. Long story short, REITs have become major and very active players in the Spanish real estate industry in the course of the last two years.

Additionally, it is worth mentioning that Spanish subsidiaries of qualifying foreign listed companies, including REIT vehicles, may be eligible for the SOCIMI regime under the form of non-listed SOCIMIs for their Spanish rental income and capital gains.

Antonio Sánchez
PwC (Spain)
Tel: +34 91 568-5615
antonio.sanchez.recio@es.pwc.com

José L. Lucas
PwC (Spain)
Tel: +34 91 568-5607
jose_luis.lucas.chinchilla@es.pwc.com

Legal form
The SOCIMI must be a Spanish stock corporation (SA – Sociedad Anónima).

Capital requirements
The nominal capital of a SOCIMI must amount to at least EUR 5m. There is no maximum threshold for external debt.

Listing requirements
SOCIMIs must be listed on an organised stock market in Spain, the EU, the EEA, or in other countries with an effective tax information exchange with Spain.

Listing is also possible on a multilateral trading system in Spain, the EU or the EEA.

Restrictions on investors
Minimum number of investors
There are no specific provisions for SOCIMI.

Pursuant to the corresponding Stock Exchange regulations in Spain, a listed entity must have at least 100 share-holders with an interest lower than 25%, a minimum 25% free float being standard practice.

In the case of the Spanish multilateral trading system (called MAB) share-holders holding less than 5% of the share capital each must hold at least (a) shares with EUR 2m of market value, or (b) 25% of the share capital.

Restrictions on non-resident investors
There are no specific restrictions on non-resident investors.

Asset/income/activity tests
The primary corporate activity of the SOCIMI must be the following:
- The acquisition and development of urban real estate for lease, including the refurbishment of buildings;
- The holding of shares in other SOCIMIs or in foreign companies with the same corporate activity and similar dividend distribution requirements as SOCIMIs;
- The holding of shares in Spanish or foreign companies with the same corporate activity, dividend distribution obligations, asset and income tests as SOCIMIs; and
- The holding of shares or units in Spanish regulated real estate collective investment institutions.

At least 80% of the value of the assets must consist of qualifying real estate assets and shares.

In addition, at least 80% of earnings, exclusive of capital gains, must relate to rents and dividends from qualifying assets and shares.

Qualifying assets and shares must be held for a minimum period of three years.

Restrictions on foreign assets

There are no restrictions on foreign assets assuming that they are similar to the Spanish qualifying assets and they are located in a jurisdiction with tax information exchange with Spain.

Distribution requirements

The SOCIMI is obliged to distribute the following amounts once all the corporate law obligations are met:

- 100% of profits derived from dividends received from other SOCIMIs, foreign REITs, qualifying subsidiaries and collective investment institutions.
- At least 50% of capital gains derived from qualifying real estate assets and shares. The remaining gain shall be reinvested within a three-year period or fully distributed once the three-year period has elapsed and no reinvestment has been made; and
- At least 80% of profits derived from income other than dividends and capital gains, i.e. including rental income and ancillary activities.

Distribution of dividends shall be agreed within the six-month period following the end of the financial year, and be paid within the month following the date of the distribution agreement.

Tax treatment at REIT level

The SOCIMI must be a tax resident in Spain. The SOCIMI is subject to Spanish corporate income tax at 0%.

However income and capital gains derived from investments which do not respect the 3 year holding period will be taxable at the level of the SOCIMI at the standard corporate income tax rate.

The qualifying subsidiaries whose share capital is fully owned by one or more SOCIMIs may benefit from this tax regime.

In addition, Spanish subsidiaries of qualifying listed foreign vehicles, including REITs, are eligible for the SOCIMI regime for their Spanish rental income and capital gains (the so-called 'non-listed SOCIMI')

Delisting, waiver of the regime, substantial non-compliance of reporting information, or dividend distribution obligations, or any other requirements will result in removal from the SOCIMI regime and a 3 year ban to opting again for the REIT regime.

On the other hand, the SOCIMI will be required to pay a 19% 'special tax' on dividends distributed to shareholders holding an interest of at least 5% that are either tax exempt or subject to an effective tax rate below 10%. Any withholding tax at source shall be taken into account for these purposes. This special tax will not be due if the recipient of the dividends is a foreign REIT itself or a qualifying foreign entity as long as those dividends are subject to a minimum effective tax rate of 10% at the level of the shareholders holding 5% or more of the foreign vehicle. The investor taxation of at least 10% must be communicated to the SOCIMI in order to avoid the special tax.

Withholding tax on distributions

Dividend distributions by the SOCIMI, both to residents and non-residents, are subject to general withholding tax rules and applicable treaty rates.

Tax treatment at the investor level

Resident investors

Individual investors

Dividends derived from SOCIMI shares are subject to general personal income tax rules, with no recourse to domestic exemptions.

Capital gains derived from the disposal of SOCIMI shares are subject to general personal income tax rules.

Corporate investors

Dividends are subject in their entirety to corporate income tax at the general rate (28% in 2015, 25% in 2016) with no recourse to the domestic participation-exemption regime.

Capital gains derived from the disposal of SOCIMI shares shall be subject to the general income rate (28% in 2015, 25% in 2016) with no recourse to the domestic participation-exemption regime.

Non-resident investors

Individuals and corporate investors without a Spanish permanent establishment

Dividends and capital gains are subject to general rules for non-residents and tax treaties and with no recourse to domestic exemptions.

However capital gains derived from the disposal of shares in a SOCIMI listed in a Spanish official market are tax exempt in Spain if the non-resident shareholder holds less than 5% of the share capital.

Individuals and corporate investors with a Spanish permanent establishment

Dividends and capital gains are subject to the same rules described above for resident corporate shareholders.

Transition to REIT/Tax privileges

There is no entry tax charge established for the transition to the SOCIMI regime.

However capital gains obtained by a SOCIMI corresponding to assets held prior to the election would be taxable only for the portion of gains allocated into the pre-SOCIMI holding period.

Applicants can opt for the SOCIMI regime by notifying the Tax Administration before the beginning of the last quarter of the tax period. The regime applies retroactively from the start of the financial year in which the SOCIMI has validly applied for this tax regime.

The law grants a 2 year period in order to meet certain REIT requirements, including the listing, during which the SOCIMI is taxed at 0%.

Transfer tax and stamp duty benefits may be of application in connection with the acquisition of residential for lease.

Restructurings aiming at the incorporation of a SOCIMI or the conversion of existing entities into a SOCIMI are deemed as business driven for the purposes of the tax neutrality regime for corporate reorganisations.

The Netherlands

The FBI regime was introduced in the Netherlands in 1969. The Dutch regime was the first REIT look-a-like regime in Europe.

The FBI regime enjoys a corporate income tax rate of 0% (a de facto full exemption). Dividends paid by an FBI are subject to 15% dividend withholding tax. Individuals, financial institutions like pension funds and insurance companies make frequent use of FBIs.

Jeroen Elink Schuurman
PwC (The Netherlands)
Tel: +31 88 79 26428
jeroen.elink.schuurman@nl.pwc.com

Serge de Lange
PwC (The Netherlands)
Tel: +31 88 79 26390
serge.de.lange@nl.pwc.com

Legal form

The FBI regime is open for Dutch public companies, limited liability companies and mutual funds. Also, non-Dutch entities established under the laws of an EU Member State, the islands formerly known as the Dutch Antilles (including Aruba), or a country that has concluded a tax treaty with the Netherlands containing a non-discrimination clause may qualify for the FBI regime under the condition that the entity has similar characteristics as a Dutch public company, limited liability company or mutual fund.

Capital requirements

Based on Dutch civil law, Dutch public companies require a minimum share capital of EUR 45,000. There is no minimum share capital requirement for Dutch limited liability companies and mutual funds.

Moreover, gearing restrictions should be observed. In principle, investments may be financed out of borrowings (both shareholder and third-party loans) up to:

- a maximum of 60% of the tax book value of directly – or indirectly- held real estate investments; and
- a maximum of 20% of the tax book value of other investments.

Listing requirements

The FBI regime does not require listing on a stock exchange.

Restrictions on investors

For the shareholder restrictions a distinction must be made between regulated and private FBIs.

FBIs whose shares are officially quoted on a stock exchange and FBIs that are regulated and hold a permit to issue shares to the public, are considered a regulated FBI. With the incorporation of the AIFMD in the Dutch legislation, a larger group of FBIs fall under supervision and are as a result considered regulated FBIs. Regulated FBIs are able to benefit from more relaxed shareholder restrictions opposed to private FBIs.

Minimum number of investors

Regulated FBIs

- No single entity that is subject to tax on its profits (or the profits of which are subject to tax at the level of the shareholders/participants of such entity) may, together with related entities, own 45% or more of the shares in the FBI;
- No single individual may hold an interest of 25% or more.

Private FBIs

75% or more of the total shares in an FBI must be held by:

- Individuals; and/or
- Entities that are not subject to a taxation on their profits or are exempt from tax and the profits of which entities are not subject to tax at the level of the shareholders/participants of such entities; and/or
- Regulated FBIs.

- No individual may hold a substantial interest (which broadly means a direct or indirect interest of 5% or more).

In addition to the above described shareholding requirements, the following restriction applies to regulated and private FBIs:
Dutch resident entities may not hold an interest of 25% or more in the FBI through non-resident mutual funds or through non-resident entities with a capital fully or partly divided into shares.

Restrictions on non-resident investors
There are no restrictions on non-resident investors.

Asset/income/activity tests
The statutory purpose, as well as the actual activities of the FBI must consist solely of passive investment activities.

Investment activities may include any type of investment including real estate or investments of a financial nature (such as loan notes, shares or other securities). Activities such as trading in real estate or real estate development are generally not allowed.

The FBI is allowed to manage and hold shares in an entity carrying out real estate development activities for this entity itself, for the FBI, or for certain related entities. This development subsidiary is taxed on its profits and/or losses at the regular corporate income tax rate of a maximum 25%.

Furthermore, the FBI is allowed to hold shares in - as well as manage – a taxable-service subsidiary. As a precondition, the activities of this subsidiary must consist of customary services in relation to the real estate held by the FBI or other affiliated entities. Examples of such services are conference facilities or the exploitation of an in-house restaurant. The rationale of this provision is that non-investment activities of the FBI are separated from its investment activities and are taxed accordingly the regular CIT rate of 25%.

The improvement or expansion, including maintenance of real estate is considered a passive investment activity if it is less than 30% of the official market value of the real estate.

Guarantees towards third parties in relation to obligations of subsidiaries and the on-lending of third-party financing to subsidiaries are considered passive investments activities.

Restrictions on foreign assets
There are no restrictions on foreign assets.

Distribution requirements
An FBI is required to distribute its entire taxable profit within eight months following the financial year-end. Capital gains do not have to be distributed if they are contributed to a reinvestment reserve.

Tax treatment at REIT level
An entity can elect to apply the FBI regime in its corporate income tax return. The FBI regime can only be applied for with effect from the beginning of a financial year, if all statutory requirements being met from that date. The FBI is subject to Dutch corporate income tax at a rate of 0%.

Being an entity resident in the Netherlands, the FBI can benefit from the Dutch tax treaties.

Withholding tax on distributions
Dividends paid by an FBI are subject to a 15% dividend withholding tax. Reduction of this rate under applicable tax treaty may apply. Further, shareholders may credit the withholding tax levied against their Dutch income tax liability. Distributions out of the reinvestment reserve are in principle exempt from withholding tax.

Tax relief in order to avoid double taxation
Dividends and interest payments received by the FBI may be subject to Dutch dividend or foreign withholding tax. FBIs are entitled to credit the Dutch and foreign withholding tax against the obligation of withholding Dutch dividend withholding tax on outgoing dividend distributions. The credit is maximised to 15%.

Tax treatment at the investor level
Resident investors

Individual investors
Dutch resident individuals who own, alone or together with certain relatives, 5% or more of the shares in an FBI are considered the holder of a substantial interest for Dutch personal income tax purposes.

Dividends, profit rights and capital gains derived from the substantial interest by Dutch resident substantial interest holders are subject to a flat 25% tax rate. Note that under the Investor Restriction rules, no individual may hold a substantial interest in a Private FBI.

Dutch resident individuals who own less than 5% of the shares in an FBI are not considered holders of a substantial interest. Income derived from such a shareholding is subject to a 1.2% tax. The rate is 30% with a fixed return of 4%, so effectively 1.2%.

Individual taxpayers can credit the Dutch dividend withholding tax against their Dutch income tax liability.

Corporate investors
Dividends received and capital gains realised by Dutch resident corporate investors from an FBI are subject to Dutch corporate income tax at the standard rates (25% for 2015). An investment in an FBI will, in principle, not qualify for the participation exemption.

Corporate taxpayers can credit the Dutch dividend withholding tax against their Dutch corporate income tax liability.

Tax-exempt institutions
Dutch pension funds are exempt from corporate income tax and are entitled to

a full refund of the Dutch dividend withholding tax.

Non-resident investors

Individual investors

Non-resident individuals who own 5% or more of the shares in an FBI will also be considered the holder of a substantial interest and will be considered a non-resident taxpayer for Dutch personal income tax purposes. Non-resident substantial interest holders are, in principle, subject to the tax rate of 25% applicable on dividends and capital gains on the FBI shares. Tax treaties may limit the right for the Netherlands to levy Dutch income tax on substantial interest income and gains.

Non-resident individuals who are not considered holders of a substantial interest are not subject to Dutch personal income tax.

Corporate investors

In general, Dutch (corporate) income taxation will only arise in case the non-resident investor holds a substantial interest (5% or more of the shares of an FBI) and the interest cannot be allocated to the active business of the foreign shareholder. The levy of this tax is furthermore subject to the additional condition that the shares in the Dutch company are held by the foreign shareholder with the main purpose (or one of the main purposes) to avoid the levy of Dutch personal income tax or dividend withholding tax. As such the role of the foreign shareholder within the structure must be assessed. In principle the substantial interest rate is 25% (rate 2015). The substantial interest rate is reduced to 15% in case only dividend withholding tax is avoided. Tax treaties may limit the right for the Netherlands to levy Dutch corporate income tax on substantial interest income and gains.

Furthermore, taxation may arise in cases where the FBI shares are attributable to a Dutch permanent establishment (PE) of the non-resident investor.

In case of substantial interest taxation or allocation to a Dutch PE, dividend income received and gains realised by a non-resident corporate investor on the shares of an FBI are subject to 25% Dutch corporate income tax (rate 2015). The rate is reduced to 15% in case only dividend withholding tax is avoided.

Non-resident taxpayers can credit the Dutch withholding tax on dividends against Dutch (corporate) income tax levied.

Tax-exempt institutions

EU-resident pension funds that are tax-exempt and that are comparable with Dutch pension funds are under conditions entitled to a full refund of Dutch dividend withholding tax levied on dividend distributions made by the FBI.

Non-EU resident pension funds that are tax exempt and that are comparable with Dutch pension funds are under conditions entitled to a full refund of Dutch dividend withholding tax levied on dividend distributions made by the FBI. However to be entitled for a refund, the investment in the FBI must qualify as a portfolio investment as defined under EU-law. Also a tax information exchange agreement must be in place.

Transition to and exit of REIT/Tax privileges

Transition to REIT regime/Tax privileges

There are no specific exit tax concessions for taxable entities opting for the FBI regime. At the end of the year prior to the year that the entity converted to FBI regime, all assets are restated at market value. The capital gain resulting from such restatement is subject to the regular corporate income tax rate (25%).

Exit REIT regime/Tax privileges

As from the moment the statutory requirements for the FBI regime are no longer fulfilled, an entity forfeits its qualification as FBI and would be subject to the regular Dutch tax regime. At the ending of the FBI regime it is compulsory to value the investments at the fair market value prior to exiting the FBI regime. As a result, hidden reserves (both positive and negative) included in the investments are materialised and taxed in accordance with the FBI regime.

Turkey

A Turkish Real Estate Investment Company (REIC) is a capital market institution that can invest in real estate and capital market instruments based on real estate, real estate projects and rights based on real estate. Turkish REICs are corporate income tax-exempt stock companies that must be listed on an organised stock market in Istanbul. Currently, there are 31 REICs listed on the Istanbul Stock Exchange.

Under the Communiqué number 48.1-a published by Capital Markets Board of Turkey (CMB) on 23 January 2014, the regulations regarding IREICs which were published at the beginning of 2009 but not implemented, were integrated to the Communiqué 48.1 as a type of REIC. Therefore, REICS which are incorporated to manage portfolios composed of infrastructure investment and services and other infrastructure related market instruments under the provisions of Communiqué can operate as IREIC and also benefit from the Corporate Income Tax exemption. That being said, explanations below are specific to REICs and detailed information regarding IREICs are not given below.

Ersun Bayraktaroglu
PwC (Turkey)
Tel: +90 212 326-6098
ersun.bayraktaroglu@tr.pwc.com

Baran Akan
PwC (Turkey)
Tel: +90 212 326-6534
baran.akan@tr.pwc.com

Legal form

The REIC must be a joint stock corporation. A REIC can be established by immediate establishment, i.e. by establishment of a new joint stock company. Moreover, an existing company can be converted into a REIC by amending its articles of association.

Capital requirements

The minimum capital requirement for a REIC is TRY 30m for the year 2015.

Listing requirements

At least 25% of the REIC's shares should be offered to the public. REICs are obligated to offer share certificates representing 25% of their capital to the public within 3 months following the registration of incorporation or amendment of the articles of association with the Trade Registry.

Restrictions on investors

It is required for real estate investment companies that real or legal person founders:

- Must not have any payable tax debt;
- Must not be bankrupt, go bankrupt, or have any postponement of bankruptcy;
- Must not have any responsibility for actions those cause cancellation of an enterprise's activity permits by CMB;
- Must not be condemned;
- Real or legal person founders or the corporations that they are share-holders of must not be subject of a liquidation decision;
- Real or legal persons must have obtained the resources needed for foundation from its own commercial, industrial and other legal activities free from any kind of collusion, and must have financial power to fund the subscribed capital amount (not applicable for the conversion applications);
- Real or legal persons must have honesty and reputation required for the business;
- Real or legal persons must not have been convicted of crimes under the Law on Prevention of Financing of Terrorism no. 6415; and
- Real or legal persons must not have been banned on trading pursuant to the investigations of insider trading and manipulation under Capital Markets Law (CML).

Restrictions on non-resident investors

There are no restrictions on non-resident investors.

Asset/income/activity tests

If a REIC is established with the purpose of operating in certain areas or investing in certain projects, at least 75% of the

REIC's portfolio must consist of assets mentioned in its title and/or articles of association.

REICs are required to invest in real estate, rights supported by real estate and real estate projects at a minimum rate of 51% of their portfolio values.

REICs can invest in time deposit and demand deposits in TRY or any foreign currency for investment purposes at a maximum rate of 10% of their portfolio values.

The rate of vacant lands and registered lands that are in the portfolio for a period of five years, which have not been subject to any project development, should not exceed 20% of the portfolio value.

REIC's cannot:

- Engage in capital market activities other than portfolio management for its own portfolio limited to the investment areas;
- Be involved in construction of real estate as a constructor;
- Commercially operate any hotel, hospital, shopping centre, business centre, commercial parks, commercial warehouses, residential sites, supermarkets and similar types of real estate, or employ any personnel for this purpose;
- Engage in deposit business, conduct business and operations resulting in deposit collection;
- Engage in commercial, industrial or agricultural activities other than the transactions permitted;
- Grant a loan or commit into any debit/credit transaction with their subsidiaries, which is not related to the purchase and sale of goods or services;
- Make any expense or commission payment which is not documented or which materially differs from the market value; and
- Sell or purchase real estate for short-term consistently.

Restrictions on foreign assets

REICs can invest in foreign real estate and capital market instruments backed by real estate up to a maximum of 49% of the portfolio value.

Distribution requirements

As REICs are public companies, profit distributions of REICs are subject to the general regulations of the CMB. The distributable profit is calculated in line with both CMB and Turkish Commercial Code regulations. In order to secure the capital position of the REIC, the lesser of the net distributable profit calculated in line with the Turkish Commercial Code or in line with CMB regulations should be distributed. Under either calculation, net profit is generally the gross income of the REIC minus taxes, legal reserves, accumulated losses and donations within the year.

Tax treatment at REIC level

REICs are exempt from corporate tax and whilst they are obliged to submit an annual corporate tax return in April of the following year, they do not pay any corporate tax and dividend withholding tax rate is determined to be 0% for REICs. The transactions of REICs are subject to VAT and most other transfer taxes.

Withholding tax on distributions

Taxation of investors receiving dividends from a REIC

Although dividend distributions to individual and non-resident shareholders of Turkish companies are currently subject to a 15% dividend withholding tax in Turkey (double tax treaty provisions are reserved), since the withholding tax rate is determined as 0% for REICs by the Council of Ministers, dividend distributions to individual and non-resident shareholders of the REICs currently have no dividend withholding tax burden.

Dividends received by resident corporations

Since REICs are exempt from corporate tax, 'participation exemption' is not applicable for dividends received from REICs. So, dividends received by corporations in Turkey from REICs are subject to corporate income tax at the rate of 20%. And then, if distributed to non-resident companies or individuals, those distributions are also subject to dividend withholding tax in line with local regulations.

Dividends received by non-resident corporations

Dividends that are distributed by REIC will be subject to a 0% dividend withholding tax in Turkey. On the other hand, taxation of dividends in the hands of a non-resident corporation depends on the tax treatment of the country of residence.

Dividends received by resident individuals

Resident individual shareholders of REICs are obliged to declare half the dividends received from REICs if half of the dividends received exceed the declaration limit (approximately EUR 9,000 for 2015). Declared income will be subject to income tax at the progressive rate between 15% and 35%.

Dividends received by non-resident individuals

Dividends that are distributed by REIC will be subject to a 0% dividend withholding tax in Turkey. On the other hand, taxation of dividends in the hands of non-resident individuals depends on the tax treatment of the country of residence.

Tax treatment at the investor level

Capital gains received by resident corporations

The capital gains derived from the sale of REIC shares by resident legal entities are to be included in the corporate income and will be subject to corporate income tax at 20%. However, there is a special partial exemption method that can be used to minimize tax burden which is available for 75% of the gains derived from the sale of shares that are held for at least two years, with certain further conditions.

Capital gains received by non-resident corporations

Since REICs are public companies, capital gains derived from the sale of shares in the Istanbul Stock Exchange by non-resident legal entities that do not have a permanent establishment (PE) in Turkey will be subject to taxation via a withholding tax. The current rate of 0% withholding tax is applicable for the capital gains received by non-resident corporations, and that tax will be the final tax for those companies.

Please note that capital gains derived from the sale of unlisted Turkish company shares by non-resident corporations that do not have a PE in Turkey should be declared after the application of a cost adjustment. This declaration should be made within 15 days after the sale of shares, through a special corporate tax return, and be taxed at the standard corporation tax rate. (For the cost adjustment, the original cost is adjusted relative to the wholesale price index (WPI), except for the month the shares are disposed of, if the total increase in WPI is more than 10%.)

Additionally, a dividend withholding tax will be applied to the net gains. But, since most double tax treaties prohibit Turkey's taxation right on these capital gains, depending on the holding period (one year in most cases) of the Turkish company shares, we strongly suggest the double tax treaties are examined before these transactions.

Capital gains received by resident individuals

Since REICs are public companies, capital gains derived from the sale of shares in the Istanbul Stock Exchange by resident individuals will be subject to taxation via withholding tax. The current rate of 0% withholding tax is applicable for the capital gains received by resident individuals, and that tax will be the final tax for those individuals.

Capital gains received by non-resident individuals

Since REICs are public companies, capital gains derived from the sale of shares in the BISTby non-resident individuals will be subject to taxation via withholding tax. The current rate of 0% withholding tax is applicable for the capital gains received by non-resident individuals and that tax will be the final tax for those individuals.

Transition to REIT/Tax privileges

There is no exit tax or any other major tax to be applied upon transformation from a regular company into a REIC.

United Kingdom

The UK REIT was introduced by provisions in the Finance Act 2006 and came into force on 1 January 2007.

A UK REIT comprises a group of companies carrying on a property investment business, with property let to third-party tenants. The parent company can be incorporated anywhere but must be a UK tax resident company whose shares are traded on a recognised stock exchange. A UK REIT benefits from an exemption from UK tax on both rental income and gains relating to its property investment business. On an on-going basis, the REIT business has to meet certain tests (detailed below) and the REIT is required to distribute 90% of its rental income in respect of each accounting period in order to obtain exemption from tax on its rental income.

Robert Walker
PwC (UK)
Tel: +44 20 7212-2324
robert.j.walker@uk.pwc.com

Tim Jones
PwC (UK)
Tel: +44 20 7212-5450
tim.j.jones@uk.pwc.com

Fiona Gaskell
PwC (UK)
Tel: +44 20 7804-2356
fiona.gaskell@uk.pwc.com

Since REITs have been introduced in the UK there have been a number of developments.

The legislation has been rewritten into the Corporation Tax Act 2010 as part of the tax law rewrite project.

The ability to pay rental income distributions as stock dividends was introduced as part of the Finance (No 3) Act 2010.

The Government has made the REIT regime more attractive with the changes which came into effect in Finance Act (FA) 2012. Entry to the REIT regime is now cheaper - the entry charge has been abolished, new REITs can list on AIM and there is a three year grace period for REITs to become widely held and not 'close' (see below for a definition of close). Furthermore, certain institutions are encouraged to invest in REITs given their shareholdings in a REIT will be treated as widely held.

REITs can now also take a larger percentage of shares in other REITs without making it close (and therefore causing it to leave the REIT regime), and do no pay tax on rental distributions from other REITs provided they distribute it to investors. See section on Restriction on Investors for further information on the 'close' company rules.

Legal form

A UK REIT can be a group of companies with a parent company (or a single company listed REIT).

The parent company must be UK tax resident. It cannot be dual resident nor be an open-ended investment company. The parent must own at least 75% of the shares of a member of the group ('75% subsidiary'). Any such member may also hold 75% subsidiaries, but the parent must ultimately own at least 50% of the shares of all of the group subsidiaries.

In order to become a UK REIT, the parent company must file a notice specifying when the REIT rules will apply from and this must be accepted by the tax authorities. There is no longer an entry charge (this having been abolished in FA 2012).

Where a REIT holds 40% or more in a company or group that owns investment property, then it can also elect its share of that company/group's income and gains into the REIT regime. The JV company does not pay UK tax on the REIT's share of income and gains arising from its UK property investments (and non-UK investment property if the JV company/group is a UK tax resident).

Capital requirements

There are no capital requirements, but there is a limitation on the type of shares that the parent company of a UK REIT can issue, being ordinary shares and non-voting preference shares, including convertible non-voting preference shares. It must have only one class of ordinary share capital.

There are financing requirements.

The REIT must have a profit financing ratio where the profits are at least 1.25 times the finance costs. 'Finance costs' for the purposes of this test used to include all debt costs including swap break costs. Following several amendments finance costs are now limited to interest, and amortisation of discounts relating to financing.
There is an exemption where the REIT is suffering unexpected financial difficulties, which was introduced in the Finance Act 2009.

Any loans to the UK REIT should be on normal commercial terms and not provide for an interest rate that increases with improved performance (disguised dividend).

A tax charge is levied on the REIT where there is excess interest (subject to relief under the hardship provisions).

Listing requirements
A UK REIT must be admitted to trading on a stock exchange that appears on the list of worldwide stock exchanges recognised by the UK tax authorities (which now includes AIM and similar markets following FA 2012).
For a new REIT there is a grace period of three accounting periods (up to three years) for the shares to be admitted to trading on AIM or other recognised stock exchange (which includes certain overseas exchanges). If the company or group is not listed at the end of the third accounting period it is deemed to have left the REIT regime at the end of the second accounting period.

Restrictions on investors
Minimum number of investors
A UK REIT cannot be close (that is under the control of only a few investors) or at least 35% of the shares must be freely available to the public (free float).

Where a new REIT is formed it can be 'close' for the first three years. If it remains close at the end of three years it leaves the REIT regime at the end of year three.

The shares held by institutional investors including charities, registered providers of social housing, sovereign wealth funds, pension funds, managers/trustees of authorised unit trusts and OEICs, investment partnerships, REITs and overseas equivalents of UK REITs will count toward those shares treated as widely held. No guidance on what constitutes an overseas equivalent of a UK REIT for this purpose has been released.

A UK REIT is penalised if it makes distributions to a corporate shareholder that owns 10% or more of its shares; to prevent such penalties arising UK REITs have amended their articles of association to prevent payments of such dividends.

Restrictions on non-resident investors
There are no additional restrictions on non-resident investors.

Asset/income/activity tests
It is possible for any members of a UK REIT to have both a property rental business and other activities. At least 75% of profits and 75% of the total value of assets must relate to the property rental business. For the purpose of the assets test, cash (and certain cash equivalents e.g. gilts) is a good asset following FA 2012.

Such tests are carried out using the consolidated group results as set out in financial statements produced using International Financial Reporting Standards (IFRS) with adjustments for non-recurring or distortive items, e.g. movement on hedging, one-off transactions, etc.

There must be at least three properties with no one property accounting for more than 40% of the value of the REIT assets.

Where more than 30% of the value of a property (at the later of acquisition and entry) is spent on developing the property which is then sold within 3 years of completion of the development, the sale of the property is deemed to be outside the regime and any gain on sale is taxable.

Restrictions on foreign assets
There are no additional restrictions on foreign assets.

Distribution requirements
The UK REIT is required to distribute at least 90% of its rental profits (being rental income after deducting finance costs, overheads and tax depreciation) unless it has insufficient reserves. The distribution requirement can be met using stock dividends. There is no requirement to distribute gains.
The Finance Act 2013 has introduced provisions to enable a UK REIT to invest in another UK REIT. Previously a distribution of rental profit from one REIT to another would have been taxed in the recipient REIT. However after the Finance Act 2013, any such distributions are tax exempt so long as the recipient distributes 100% of that dividend to its shareholders.

Tax treatment at REIT level
A UK REIT is not subject to tax in respect of either rental income earned or capital gains realised in respect of its rental business assets. It is subject to corporation tax on all other income and gains under the usual taxation rules.
There is no special exemption for UK REITs from value added tax, uniform business rates, employment taxes or transaction taxes (Stamp Duty Land Tax ("SDLT"), Scottish Land and Buildings Transaction Tax ("LBTT")).

Withholding tax on distributions
Dividend distributions out of rental income and gains by the UK REIT are generally subject to a withholding tax of 20%; however, payments can be made gross to UK corporates, UK pension funds and UK charities.

Distributions out of taxed income are treated as ordinary dividends with no actual withholding.

If the UK REIT shares are held by UK resident individual shareholders, the withholding tax cannot be reduced.

Most UK double tax treaties provide for a reduced withholding tax rate of 15% for distributions to non-UK tax resident investors. The REIT must withhold 20% on rental income distributions to overseas investors and a refund claimed from HMRC where a treaty rate applies.

The UK REIT legislation penalises UK REITs, which make distributions to any corporate shareholder that owns 10% or more of the UK REIT's shares. Consequently, all UK REITs have amended their articles of association to prevent payments of such dividends and therefore the international affiliation privilege, which grants further reduction to foreign corporate shareholders, is generally not applicable. Moreover, the EU Parent Subsidiary Directive does not apply, due to the UK REITs tax exemption.

Tax treatment at the investor level

UK resident investors

Individual investors

Dividends derived from UK REIT shares held by individuals are subject to a withholding tax of 20%.

Capital gains realised on the disposal of UK REIT shares held by individuals are subject to capital gains tax at the individual's marginal rate (18 or 28%). Dividends and capital gains that result from the rental business and which are distributed to UK tax resident individuals are subject to income tax at the highest rate with credit for the withholding tax of 20% which has been suffered.

Distribution of other income is subject to UK tax as ordinary dividend income. The individual would be subject to tax at their highest dividend rate on this income.

Corporate investors

Distributions of rental income and capital gains derived from the disposal of rental property are subject to corporate tax at the relevant corporation tax rate – currently 20% – but dropping to 19% by 2017 and 18% by 2020. Gains on the sale of shares disposed of by corporate shareholders are subject to tax at the relevant corporation tax rate.

Income or gains paid out of taxed income are treated as a normal distribution and are not generally subject to further tax when received by a UK corporate.

Tax relief in order to avoid double taxation

REITs are obliged to distribute 90% of their rental profits, which may be generated by UK members (owning UK and non-UK rental assets) and non-UK resident members owning UK property. Any non-UK tax is expensed against the rental income.

All other income is subject to tax and may be distributed as ordinary dividend income with no withholding tax deducted.

Non-resident investors

Individual investors

Distributions of rental income and capital gains derived from the disposal of rental property are subject to withholding tax of 20% (subject to treaty relief – see above).

Distributions of taxed income are not subject to withholding tax.

Capital gains from the disposal of UK REIT shares are not subject to UK tax if the individual is resident outside the UK.

Corporate investors

Distributions of rental income and capital gains derived from the disposal of rental property are subject to withholding tax of 20% (subject to treaty relief – see above).

Distributions of taxed income are not subject to withholding tax.

Capital gains received by a non-UK tax resident from the disposal of UK REIT shares are not subject to UK tax.

United States

The US REIT regime was first enacted in 1960 and effective in 1961.

The market value of publicly traded US REITs was USD 839bn as of June 2015. Public listed REITs paid out approximately USD 42bn in dividends during 2014, while public non-listed REITs paid out approximately USD 4bn.

The number of US publicly held REITs totals 196.

Adam Feuerstein
PwC (USA)
Tel: +1 703 918-6802
adam.s.feuerstein@us.pwc.com

Legal form

A US REIT may be formed as a corporation, trust or an association taxable as a corporation, including a limited partnership or limited liability company. REIT status is principally a creation of the tax law rather than commercial law.

Capital requirements

A REIT is not limited with respect to the amount of its borrowings although the deduction of interest to related persons is subject to the same earnings stripping and debt/equity considerations as other corporations.

Listing requirements

There is no requirement to be listed; both public and private REITs exist in the US.

Restrictions on investors

Minimum number of investors

A REIT must have at least 100 share-holders, but no minimum value for each shareholder is required. Generally, five or fewer individuals cannot own more than 50% of the value of the REIT's stock – applying broad attribution rules – during the last half of its taxable year. Certain entities are treated as individuals for this purpose.

Restrictions on foreign investors

There is no restriction on ownership by foreign persons.

Asset/income/activity tests

- Annually, at least 75% of the REITs gross taxable income must be from real estate-related income such as rents from real property, interest on obligations secured by mortgages on real property, gain on sale of real property and mortgage loans, and dividends and gains from other US REITs.
- Annually, at least 95% of the REITs gross taxable income must be from sources including those qualifying for the 75% income test described above, other interest and dividend income, and gains on securities.
- Quarterly, at least 75% of the value of the REITs gross assets must consist of real estate assets (interests in real property, mortgages secured by real property and shares in other REITs), cash and cash items (including receivables), and US Government securities.
- Quarterly, a REIT cannot own more than 10% of the vote or value of the securities of another person, and these securities cannot comprise more than 5% of the value of the REITs gross assets. Shares in other REITs, 100%-owned subsidiaries (which are disregarded entities) and securities of taxable REIT subsidiaries are not subject to these restrictions.
- Quarterly, the value of all securities of taxable REIT subsidiaries owned by the REIT cannot be more than 25% of the value of the REITs gross assets.
- A taxable REIT subsidiary can undertake activities that the REIT cannot and its status is obtained by filing a joint election with the REIT.
- A REIT is subject to a penalty tax of 100% on the gain from the sale of 'dealer property' (property held primarily for sale to customers in the

- ordinary course of a trade or business).
- A REIT may operate or manage its own properties and provide 'customary' services to tenants. Special rules apply to 'non-customary' services, rental income from related parties and rents based upon net income rather than gross income of a tenant.
- A REIT must adopt the calendar year as its taxable year.

Restrictions on foreign assets

There is no limitation on ownership of foreign assets, but the REIT must meet the income and asset tests described above with special rules for currency gains.

Distribution requirements

The REIT must distribute at least 90% of its ordinary taxable income of each year. Distributions made after year-end may be applied to satisfy this requirement under certain circumstances.

Tax treatment at REIT level

The REIT must be formed in one of the 50 states or the District of Columbia. There is no residency requirement based upon place of management.

- A deduction generally is allowed for dividends paid to shareholders.
- Corporate level tax applies on any taxable income that is not distributed.
- An excise tax of 4% applies to the extent that the REIT fails to distribute at least 85% of its ordinary income and 95% of its net capital gain within the tax year.
- Most states follow the federal treatment; however, some have enacted laws to restrict the ability to take the dividends paid deduction under certain circumstances.
- States may also impose a variety of non-income taxes on REITs and their operations.

Withholding on distributions and sales

Domestic shareholders are not generally subject to withholding.

Generally, foreign shareholders are subject to 30% withholding on dividends but the withholding may be 35% for capital gain dividends and non-capital gain distributions attributable to the gain from the disposition of a US real property interest. Additionally, return of capital distributions to a foreign shareholder from a REIT that holds primarily US real property interests (which generally would not include mortgage loans) may be subject to 10% withholding.

In addition, the sale by a foreign shareholder of REIT stock is subject to 10% withholding on the gross proceeds unless the REIT is domestically controlled, the REIT holds primarily interests that are not US real property interests (such as mortgage loans), a withholding certificate is obtained from the Internal Revenue Service (IRS) reducing the amount of withholding or the stock is publicly traded (unless the seller owns more than of the class of stock of the REIT).

Governmental entities may be exempt from withholding.

Treaty access

If a treaty rate applies, ordinary dividends are subject to withholding tax at reduced rates (generally from 10% to 25%, depending on the investor type, treaty country and ownership percentage in the REIT). Benefits are often limited to investors who have 5% or less ownership of a public REIT and 10% or less if non-public, provided that the non-public REIT is 'diversified'. A diversified REIT generally must hold no interest in US real property that is more than 10% of all its real property holdings. Zero withholding tax is possible for pension funds or tax-exempt entities in certain treaty countries, mostly only if ownership is below a certain percentage.

Tax treatment at the investor level

Domestic investors

Distributions from a REIT, other than capital gain distributions are, to the extent of earnings and profits, taxable as ordinary income to individuals up to 39.6% (although the tax on dividends may be up to 20% in certain cases to the extent that the distribution has already been subject to a corporate level tax) and are subject to an additional 3.8% Medicare Contribution Tax.

Individuals are generally subject to tax on dividends attributable to capital gain at a 20% rate (25% on gains attributable to accumulated depreciation) provided the REIT elects to treat the dividends as capital gain dividends.

Corporations are generally subject to a tax of up to 35% on dividends from REITs and the dividends are not eligible for the dividends received deduction.

Foreign investors

A foreign shareholder that is subject to tax on capital gain dividends or from a sale of shares must file a US tax return, even if its tax liability is fully withheld upon at source.

For foreign corporations, withholding tax on capital gain dividends or the sale of shares is credited against their substantive US tax of 35% plus any branch profits tax.

Foreign corporations may be subject to the branch profits tax at 30%, which is applied to gains less the regular income tax resulting in an effective rate of up to 54.5%. Many treaties provide for a reduction in rate on the branch profits tax. Branch profits tax generally does not apply to the sale of shares.

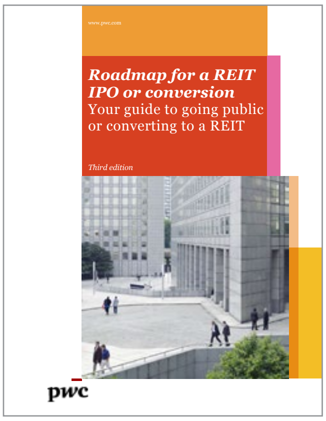
Individuals, estates and trusts (determined under US tax principles) are generally subject to tax on capital gain dividends up to a 20% rate (25% on gains attributable to accumulated depreciation).

A tax-free exit is available upon sale of shares in publicly traded REITs (if less than 5% ownership limitation is met) and domestically controlled REITs. The exception must be satisfied for the previous five-year period.

Transition to REIT/Tax privileges

A REIT election is made by filing its corporate income tax return on Form 1120-REIT. A regular corporation that elects REIT status is required to distribute its accumulated tax earnings and profits before the end of its first year as a REIT. Any net built-in gain in assets at the date of the election is subject to corporate level tax on gain recognized within the next 10 years. This tax can often be deferred by acquiring replacement property in a 'like-kind exchange'.

Additional PwC publications



Roadmap for a REIT IPO or conversion – Your guide to going public or converting to a REIT

PwC, November 2014, 134 pages, soft copy, English

PwC US has prepared this guide to help both traditional and non-traditional real estate companies address the IPO and REIT conversion process, including:

- The process and timeline of an IPO or REIT conversion
- Preparation of the registration statement
- Private ruling letters
- Tax planning, structuring, and ongoing compliance
- Corporate governance in the public market
- Accounting and internal controls considerations

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