

# S I I Q - Società di Investimento Immobiliare Quotate Listed real estate investment companies in Italy

## Overview relating to the SIIQ in Italy

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Fonte: Magistra, Banca e Finanza, 27 ottobre 2008  
Rivista di Diritto Bancario: [www.magistra.it](http://www.magistra.it)

### 1. PREAMBLE

REITs have become a global phenomenon. Since the REITs had a great success in the United States after being implemented in 1960 with the Real Estate Investment Trust Act (about 100 listed companies with a total capitalization of USD 500 billions), the desire for market transparency and the elimination of barriers to entry among member states grew and provided additional fuel for the REIT movement in Europe<sup>1</sup>. Real estate investors have traditionally limited their investments to local markets due to the risk of venturing into non-transparent surroundings<sup>2</sup>. For the promotion of the “free movement of goods, persons, services, and capital” in the European Union, the implementation of an EuroREIT will require the removal of significant barriers to entry and market differences among member states<sup>3</sup>. For this

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<sup>1</sup> See Treaty Establishing the European Economic Community, Mar. 25, 1957, 298 U.N.T.S. 11, 16 (1958) (hereinafter Treaty of Rome).

<sup>2</sup> See David Brown, Investment Fund Vehicles for Pan-European Real Estate: A Technical and Commercial Review, Briefings in Real Est. Fin., March 2003, at 289; 289.

<sup>3</sup> Treaty of Rome, supra note 1; see Neill Nugget, the Government and Politics for the European Union, 299-300 (5<sup>th</sup> edition 2003).

reason the European Union has taken into consideration the creation of an EuroREIT<sup>4</sup>.

Moreover an increasing number of leading global economies are operating or considering the implementation of REIT-style vehicles<sup>5</sup>.

As a consequence the successful REIT model has been exported into several other countries like Germany (2007), France (2003), Japan (2000), Singapore (2002) and South Korea (2001).

Another great success was recently achieved in Great Britain, where the REITs have been introduced in January this year and have rapidly reached the third position in the world concerning global capitalisation (global quote of 12,3 %). The global capitalisation of the REITs is about 622 billions Euro.

The introduction of the SIIQ in Italy could have the same effect.

Article 1 paragraph 119 to 141 of law no. 296 of 27th December 2006 (budget legislation for the financial year 2007) provides for the introduction in the Italian legal system of the “Listed real estate investment companies” (i.e. Società di Investimento Immobiliare Quotate- hereinafter referred to as “SIIQ”, a model of investment in real estate inspired by the so called „Real Estate Investment Trusts“ (REITS).

This new entry on the Italian property market should entail that the potential benefits of a REIT-style vehicle include greater transparency in real estate ownership, improved liquidity in property markets, increased cross-border investment, and advancement in the globalisation of real estate securitisation.

This SIIQ regime grants Italian real estate investment companies, which opt for the SIIQ qualification and prevalently exercise the real estate rental activity, a particular exemption in direct taxation. Once opted for the SIIQ qualification within the fiscal year these companies enjoy the privilege of a favourable tax treatment for real estate properties held for rental purposes for this particular fiscal year while the shareholders themselves (other than companies) are subject to a definitive withholding tax equal to 20 % of the dividend paid to the company.

In contrast no benefit is provided to the real estate investors who acquires real estate properties for trading, or to real estate developers.

## 2. ADVANTAGES IN COMPARISON TO PROPERTY FUNDS

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<sup>4</sup> See David Brown, *supra* note 2, at 289;298.

<sup>5</sup> HM Treasury & Inland Revenue, *Promoting More Flexible Investment in Property: A Consultation*, 15 (Mar. 2003)

One of the typical advantages of the SIIQ in comparison to the closed property funds is the immediate payment for the own investment as well as the guarantee of the annual distribution of the dividend.

In contrast to the property funds the election for the new SIIQ regime implies the possibility to benefit from some particular advantages which guarantees the following:

- \* special income tax regime: exemption from income tax for the company on the profit deriving from the rental activity and the distributed dividend from other SIIQ;

- \* control: the regulation of the property asset applicable on SIIQ consents to maintain the control of the company;

- \* supervision: only the listed companies of the SIIQ are subject to the supervision of the “Consob” (Authority responsible for controlling Italy’s market for financial products) in contrast to the property funds which are subject to a double supervision, on the one part of the “Sgr” (“Società di Gestione del Risparmio”-savings management company) and on the other part of the fund itself;

- \* governance: the property funds are governed by an appropriate governance of the Sgr which is accompanied by the appropriate governance of the fund, whereas the SIIQ’s governance is identical with the governance of the S.p.A., with direct nomination of the administrators by the investors (internal administration).

- \* loans and guarantees: the property funds are subject to the strict limits set forth by Banca d’Italia while the SIIQ shall operate under the provisions established by the Italian civil code.

- \* structure: unlike for property funds no “ad hoc” vehicles are required for the management of the estate property.

### 3. FOREIGN INVESTORS

Unlike for property funds no special form of exemption for the investors not resident for fiscal purpose in Italy is provided, not even for investors belonging to the “white list”.

A deduction of the dividends on account of international treaties and conventions against double taxation could generally provide a limitation (max. 15 %), but the special income tax exemption system could also deem the conventions against double taxation not applicable relating to the component of the dividend.

### 4. Qualifying conditions for exercising this option

#### 4.1 Company's typology and listing

The new rules are applicable to joint stock companies resident for fiscal purpose in the territory of the Italian Republic with shares listed on regular stock exchange markets of one of the European Countries or of the Countries belonging to the "White List"<sup>6</sup>.

This discipline can also be extended to non-listed joint stock companies resident in Italy, in which a „SIIQ“ (also jointly with other “SIIQs”), possesses at least 95 % of the share voting rights in the shareholders' meeting and at least 95 % of the profit sharing rights of the same (the so called non- listed SIIQs). In this case the option for the SIIQ regime must be jointly elected by both the controlling and the controlled company.

Due to the joint option between the SIIQ and the controlled, the special income tax regime is applied at group level. Both have to exercise prevalently the rental of real estate properties and have at their disposal a specified number of property assets.

#### 4.2 Social assets of the SIIQ

In order to guarantee an adequate distribution of the “SIIQ” shares among the public, it is provided that:

none of the shareholders possess directly or indirectly more than 51 % of the share voting rights exercisable in the general meetings and more than 51 % of the profit sharing rights and

at least 35 % of the shares should be possessed, at the time the option is exercised, by shareholders who do not hold, directly or indirectly, more than 2 % of the share voting rights and not more than 2 % of the profit sharing rights each.

In particular the shares have to be entirely transferable, the shareholders who possess more than 2 % of qualified participations must possess integrity, the administrators must possess specific professional skills, the auditors must possess specific professional skills and independence; the certification of the balance sheet is obligatory and has to be effected by a controlling company registered in the register of “Consob”, the corporate governance and the internal controlling system must normally be adapted to satisfy requirements of a company, whose capital is open to the public.

Companies must indicate the qualification as “Società di Investimento Immobiliare Quotata” in their business name. Also the business name in the abbreviated form (SIIQ) must be indicated in all documents of the above mentioned company.

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<sup>6</sup> Article 1 para. 374 of law no. 244 of 24<sup>th</sup> December 2007 (budget legislation for the financial year 2008)

#### 4.3 Real estate rental activity

In order to opt for the SIIQ regime, companies must engage “primarily” in real estate rental an activity so identified when:

the value of the real estate registered in the assets and destined for rental is of at least 80 % of the active capital. To this end also the participations constituting financial immovable possessed in other SIIQ become relevant, in the event, that the latter, have exercised the adjunctive option (see paragraph 5.1) and

for every financial year at least 80 % of the positive component of the economic account derives from real estate rental. To this end also dividends deriving from the rental activity performed by the participated companies, which opted for an exemption regime, are relevant.

For this purpose the companies opting for SIIQ are obliged to dispose of a separate accounting in order to prove the operational items of the rental activity. They have to disclaim in their financial statements the criteria used for the allocation of common costs to the rental activity and to the other activities.

The non observance of either one of these conditions for two consecutive financial years determines the definite loss of the right to the exemption regime starting from the second financial year.

The non observance of both conditions in a single financial year determines the definite loss of the right to the exemption regime starting from the same financial year.

The company not only loses the opportunity to opt for the new SIIQ tax regime in those fiscal years, but is also prevented from choosing the new regime in subsequent fiscal years, even though the conditions requisite for qualification may be met. Thus the loss of the right to the exemption regime is definitive.

### 5. EXERCISE OF THE OPTION AND THE FISCAL REGIME OF THE SIIQ

Upon fulfilment of the above mentioned qualifying conditions, a company can exercise the option to be recognized as a SIIQ for tax purposes.

#### 5.1 Exercise of the option

The option must be exercised within the fiscal year prior to the one, it is intended the relevant effects of the SIIQ should begin (for example the companies whose financial year ends on 31st December 2008 must submit within the same date the application for the new regime, which will be applicable from the financial year 2009).

The option for the special regime is irrevocable.

## 5.2 The so called “exit tax”

The company which elects to apply the SIIQ regime- and to exit the ordinary income tax regime- is deemed to realise a capital gain on the real properties held for rental.

The exercise of the option entails the realization at “fair market value” (valore normale) of the real estate properties as well as of the indefeasible rights on the real estate destined for rental, owned by the company at the closing date of the last fiscal year in ordinary regime.

The capital gain may be subject to a substitute taxation of 20 % payable in maximum five annual equal instalments (charged with interests equivalent to TUS + 1%).

The same substitute taxation of 20 % can be valid for real estate properties destined for purchase.

The fair market value of the real estate properties on which the Deemed Gain is determined will form the new tax base of the relevant properties as from the fourth financial year following the one in which the election for the SIIQ Regime has been made.

## 5.3. The special income tax exemption regime

Following the exercise of this option, the income from real estate rental activities by the SIIQ is totally exempted from IRES (corporate income tax currently levied at the rate of 27.5 %) and IRAP (regional tax currently levied at the rate of 3.9 subject to possible regional surcharges).

Furthermore the dividends obtained by the companies participated by the SIIQ, which have opted for the exemption regime, are equally exempted.

Income realised by the SIIQ through other activities is subject to both IRES and IRAP under the ordinary income tax rules. Also excluded from this tax exemption is the capital gain derived from the cession of the real estate properties even if these are destined for rental.

The particular double fiscal regime raises a lot of queries concerning also the fact, that the real estate property as object of the investment is at the same time “destined for rental”- and therefore belonging to the exempted activity- but produces an ordinary income in case of a cession.

It also has to be clarified how the passive interests deriving from the firmed loan for the purchase of the real estate will be imputed.

#### 5.4 The obligation of distribution

In order to maintain the special income tax exemption status of SIIQs, the latter have to distribute to their shareholders in every financial year at least 85% of the lesser of

the net financial year profit deriving from the rental activity of real estate by the SIIQ effected directly or indirectly (by the participated companies), or the entire distributable profit realised in that financial year

The failing or insufficient distribution entails a loss of the right to the exemption regime starting from the financial year in which the non-distributed profits have been derived (retroactivity). The loss of the right is definitive.

### 6. THE FISCAL REGIME OF THE SHAREHOLDERS

The profit distribution

The distribution of profits deriving from the real estate rental activity to shareholders different from other SIIQ is subject to a 20 % deduction due to the withholding tax. This withholding tax is reduced to 15 % for profits deriving from the rental of real estate for residential purposes subject to certain conditions.

The deduction is operated as a benefit in respect of the following subjects:

individual entrepreneur shareholder with a stake in SIIQ purchased in connection with their business activity.

SnC, Sas and equivalent

SpA, Sapa, Srl, soc. coop, mutual insurance companies as well as public and private institutions which exercise a commercial activity.

Permanent Establishments of foreign commercial non resident entities in Italy

The deduction is operated as tax in every other case.

Italian Pension funds, Italian collective savings investment bodies and the shares in SIIQ held in administration are exempted from deduction.

The rental dividends are not subjected to any further income tax in the hands of Italian resident individuals; the rental dividends collected net of the withholding tax at source levied by the SIIQ, are not subjected to any further income tax in Italy in the hands of non-Italian resident investors.

Furthermore non-Italian persons resident in a jurisdiction that has executed a double tax treaty with Italy should be able to rely on the lower dividend withholding tax rate provided by the treaty.

## Capital gain

The possible capital gain deriving from the transfer of real estate to companies which opted for the SIIQ regime is subject to ordinary income taxation or upon the option of the conferrer to a 20 % substitute taxation (IRES or IRAP). In the latter case, it is required that the SIIQ maintain the real estate obtained by conferral for at least three years.

Paragraph 140 provides that the applicability of such substitute tax (of 20 %) is also extended to real estate investment common funds.

The non-Italian resident investor (different from Italian permanent establishments of non- Italian resident companies and entities) may benefit from certain domestic income tax exemptions on the capital gains realised upon sale of a “non-qualified” interest in a SIIQ.

Furthermore non-Italian resident investors resident in a jurisdiction with a double tax treaty with Italy in most cases should not be subjected to income tax in Italy on the capital gains realised upon sale of the SIIQ shares, under the conditions set out by the applicable treaty.

For VAT purposes the allocation in SIIQ of a majority of prevailing rented real estate is treated as the sale of business and therefore excluded from the VAT application area, but subjected to register, mortgage and cadastral taxes at a fixed amount (€168,00 each).

For mortgage and cadastral tax purposes, contributions of assets other than those above mentioned, an aggregated reduced 2 % tax rate is applicable on contributions of assets other than those above mentioned (the ordinary aggregated rate being 4 %).

Sales and contributions to SIIQs or non- listed SIIQs-, of certain real estate properties different from those mentioned above (ie portfolio of real estates properties mainly rented) are subject to mortgage and cadastral taxes reduced by half the ordinary rate.

Attention has to be paid to the disinvestments: an excessive capital gain could compromise the parameter. This could bring a series of contraindications probably not willed by the legislator, which can alternate the conditions of optimal administration of the SIIQ.

In some circumstances, the SIIQ could be forced not to realize a convenient purchase or to realise it at a minor price not to lose the facilitated status.

Tax losses suffered in the financial years preceding those in which the new regime is applied can be utilised to offset the taxable base of the substitute tax due in

relation to the asset step-up and income deriving from the activities other than the exempt rental activity.

## 7. LEGAL FRAMEWORK

The government decree no. 174 September 7th, 2007, has implemented the provisions set forth under Article 1 paragraph 119 to 141 of law no. 296 of 27th December 2006 (budget legislation for the financial year 2007) and has regulated some relevant aspects relating to the SIIQ regime (asset step-up values, carry-forward for the losses, M&A, offsetting of existing tax credits etc), in particular:

the expiration dates and the modalities of electing to apply the SIIQ Regime;

rules and modalities to exercise a prudential monitoring of the SIIQ to be performed by the relevant authorities and the required statute modification;

criteria and modalities to determine the “fair market value” (valore normale) of the real estate properties and real rights falling under the special regime;

verification of the criteria of prevalence;

causes of not expressively regulated withdrawal of the special income tax regime;

regulation of conferment of real estate;

criteria to determine the recognised financial costs of the SIIQ participations and of the not-listed companies;

the utilisation of the carried-forward tax losses incurred in the tax periods in which the special regime applies;

the determination of the tax value for shareholding in SIIQs and other companies with the SIIQ status;

the determination of the tax value of the assets and liabilities in case of interruption, for whatever reason, of the special income regime;

the consequences deriving from reorganisations involving SIIQs and companies controlled by the latter;

the modalities and the criteria of utilisation of tax credits pre-existent to the option for the special regime;

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<sup>7</sup> Published on October 24<sup>th</sup>, 2007, on the Official Bulletin no. 248.

the effects of the interruption of the special income tax regime not expressly regulated by the institutive law or by the general principles of the income tax regime;

the accountancy duties and the formal obligations to be fulfilled in order to apply the 15% reduced withholding tax on dividend distributions, where admitted.

*Questo documento potrà essere stampato, trasmesso ed utilizzato per fine interno della propria organizzazione, mai per scopi commerciali e dovrà sempre contenere la indicazione della fonte come in epigrafe.*

## A Country Comparison

Name	USA REITs Real Estate Investment Trusts	Canada MFT Mutual Fund Trust	Australia ALPTs Australian Listed Property Trusts	Netherlands FBI Fiscale Beleggingsinstelling	Belgium SICAFI Sociétés d'investissement à capital fixe en immobilière	UK REITs Real Estate Investment Trusts	France SIIC Sociétés d'investissement immobilières cotées	Germany G-REITs German Real Estate Investment Trust	Italy SIIQ Società di investimento immobiliare quotata	Japan J-REITs Japanese Real Estate Investment Trust
Year of introduction	1960 significant changes made in 1974, 1997, 1999	Starting in 2007 taxation year, for REITs that begin to be publicly traded after October 31, 2006. Starting in the 2011 taxation year, in other cases	1981, revised 1985	1969, to be revised by draft legislation that will be enacted before 2007	1995	January 1 <sup>st</sup> , 2007	2003, revised 2005	2007	2007	2000
Conversion costs	None. However, any unrealised gain at time of conversion is bought into tax within the REIT over a 10 year period. There is also a charge on exit from the REITs regime if, by the end of the first year as a REIT, any earnings or profits from any pre-REIT years remain undistributed	None specified to date	None	Entrance tax triggered by mark-to-market-rule	-All unrealised capital gains of normal real estate will be taxed at a reduced corporate tax rate-16.995% upon conversion -0% capital duty concerning contributions in cash or kind to a SICAFI (exemption) -10% or 12.5 % real property transfer tax	Entry charge of 2 % of the gross market value of properties within the property rental business. Can be paid by instalments -a loss of property rental business arising from pre UK-REIT period may not be offset against any profits of the tax exempt business. Other losses (e.g. capital losses) may be carried into the REIT period.	Upon election, a 16.5 % exit tax is due on latent real estate capital gains, paid in four equal instalments over four years -tax losses carried forward are deductible from the exit tax basis -possibility to step-up accounting wise real estate properties up to market value and to offset exit-tax on the revaluation reserve. No impact on dividend distribution capacities	20% exit taxation	20 % exit taxation payable in five annual equal instalments	No special transition regulations
Form	corporate	trust	corporate	corporate	corporate	corporate	corporate	corporate	corporate	Trust or corporate
Listed	Not required	Not required No minimum capital requirements	Required	Not required, minimum share capital € 45.000 for public limited company, minimum share capital € 15.000 for private company with limited liability	Required to be listed on the Belgian regulated market Minimum share capital € 1.25 million	Required to be listed on a recognised stock exchange (not AIM)	Yes, must be a listed company on the French regulated market. Minimum share capital € 15 million	Required, mandatory listing in a public exchange in a member state of the EU, minimum stated capital € 15 million	Required, extension to non listed companies	Optional requirement to list on Japanese Stock Exchange, minimum capital required for corporate type is JPY 100 million

	USA REITs	Canada MFT	Australia ALPTs	Netherlands FBI	Belgium SICAFI	UK REITs	France SIIC	Germany G-REITs	Italy SIOQ	Japan J-REITs
<b>Restrictions on activities</b>	Passive investments. Ability to develop property if developing for the production of rental income and for itself Use of taxable subsidiary to carry out additions	To be a mutual fund trust, a MFT must limit its activities to: Acquiring, holding, maintaining, improving, leasing or managing capital real property (or interests therein); or Investing its funds in other property. Other activities can be carried out on through subsidiary entities, subject to income and asset tests below.	Investments in property for the primary purpose of deriving rental income	Passive investments in real estate by portfolio investment activities. Under a legislative proposal, real estate development may be allowed as a separate taxable activity through a subsidiary corporation, or a renovation directly by the BI if costs are less than 30 % of FMV of the property	Main activity must be (passive) investment in real estate (immovable property), - no more than 20 % of assets can be invested in one real estate project - developments are allowed, but cannot be sold within five years of completion	Investments in property for the purpose of deriving rental income. Development for investments is permitted (a tax may apply if sale occurs within three years of completion) -must have at least 3 properties throughout the accounting period, each of which should not have a value exceeding 40 % of the value of all the properties	Purchase or develop building for lease. Participate in corporate subsidiaries or partnerships involved in purchasing or developing buildings for lease. Non qualifying activities within certain limits, but these activities are taxable under standard rules. financial rental may not exceed 50 % of the company's gross assets -other activities may not exceed 20 % of the company's gross assets. The tax privileges do not apply to these other activities	Acquired and administered real estate (The properties must be held directly or through real property partnerships) -At least 75 % of the REITs assets must consist of real estate -Can hold cash deposits and money market instruments and engage in other ancillary activities if objective is to acquire and administer real estate -Development for investment to be permitted.	Main activity must be real estate rental, at least 80 % of the SIOQs assets must consist of real estate	Investment only in "Qualified assets". These include real estate and leasehold rights in real estate -cannot hold 50 % or more of the total issued shares of another company -At least 75 % of total assets invested in real estate and real estate related instruments rental activity
<b>Capital gain tax</b>	Not subject to tax on capital gains it distributes To extent retained	A trust, including MFT, must include 50 % of any capital gain (Taxable capital gain) realised in the year for purposes of computing taxable income and may offset the gain with any capital losses in the previous years	Net capital gain (if any) included in taxable income of trust -50% capital gains tax discount may be available to individuals -33% capital gains tax discount may be available to complying superannuation funds	Allocated to a tax free capital gain reserve and therefore, are exempt from tax.	Not included in the taxable profit provided they are at arm's length	Exempt if relates to eligible activities	Exempt if relates to eligible activities	Exempt from corporation income tax, the solidarity surcharge and trade tax if qualifying criteria is met	Capital gain is subject to ordinary income taxation or upon the option of the conferrer to a 20 % substitute taxation	Treated the same as ordinary income

	USA REITs	Canada MFT	Australia ALPTs	Netherlands FBI	Belgium SICAFI	UK REITs	France SIIC	Germany G-REITs	Italy SIQ	Japan J-REITs
<b>Income tax</b>	Not subject to income tax To extent retained	A trust including a MFT, is taxpayer under the ITA and must compute taxable income each year and pay tax on any taxable income for the year. In computing taxable income, a trust may deduct income paid or payable to unit holders in the year. In general, income distributed by the trust to unit holders is considered trust income, trustees may designate taxable dividends received by the MFT to "flow out" to resident unit holders as taxable dividends.	Trustee is not taxable unless unit holder are not presently entitled to net income Net income for tax purposes that is not distributed to unit holders is taxed in the hands of the trustee at the top of the marginal tax rate for individuals	Direct income is taxed at a 0% rate	In principle income tax is subject to the standard corporation to a rate (33.99%), but the qualifying real property income is excluded from the taxable basis.	Exempt if relates to eligible activities	Exempt if relates to eligible activities	Exempt form corporation income tax, the solidarity surcharge and trade tax if meeting qualifying criteria	Exempt if relates to eligible activities	JREIT is subject to tax but distributions are deductible if it meets certain requirements
<b>Income distribution requirement (minimum)</b>	At least 90 % of taxable ordinary income must be distributed annually (taxable on any retained income. A 4 % excise tax may also apply on undistributed amounts that exceed a calculated threshold)	No distribution requirement, but income and taxable capital gains not distributed subject to tax at top personal tax rate	None, but undistributed income is taxed in the LPT at the top personal tax rate (48.5%)  Capital gains can be transferred to a tax-free reinvestment reserve and do not need to be distributed	100 % of rental income must be distributed within eight months after the year end.  Capital gains can be transferred to a tax-free reinvestment reserve and do not need to be distributed	At least 80 % of net profit in form of dividends to the shareholders each year	At least 90 % of the taxable income of the property investment business must be distributed within 12 months of the end of the accounting period.  No requirement to distribute capital gains.	At least 85 % of rental income must be distributed annually and 50 % of capital gains by end of second fiscal year following the year of realization.  100% of dividends from SIIC subsidiaries within a year, except in certain cases.	At least 90% of financial statement net income Distributable profits include capital gains, but up to 50 % of capital gains can qualify for a reinvestment reserve.	At least 85 % of the lesser of: -the net financial year profit deriving from the rental activity of real estate -the entire distributable profit realised in that financial year	More than 90 % of taxable income or distributable income

	USA REITs	Canada MFT	Australia ALPTs	Netherlands FBI	Belgium SICAFI	UK REITs	France SIIC	Germany G-REITs	Italy SIQ	Japan J-REITs
<b>Domestic investors</b>	Generally as taxable dividends, except to the extent distribution is a return of capital. Capital gains retain their character.	Distributions are taxed as ordinary income except that: -taxable and capital dividends and taxable capital gains retain their character; and -returns of capital are not taxable but reduce cost of units	Unit holders are subject to tax on their proportionate share of trust income; income retains its character (e.g. as interest, rent, capital gains) Distribution in excess of income treated as "return of capital" that reduces tax costs of units. For non-residents: -trustees must pay tax on Australian source distributions; -non-residents are taxed on an assessment basis (must file an Australian return and receive a credit for tax paid by trustees); -a non-resident is subject to capital gains tax on disposal of LPT units only if it holds at least 20% of the LPT's issued units.	Withholding tax, which is refundable, applies to dividend distributions	Dividends are subject to 15% withholding tax being the final levy  Capital gains on disposal of shares are not taxable	Distributions from exempt business will be property income subject to 22 % withholding tax (non-residents will be subject to treaty withholding rates)  Distributions from taxable business will be normal UK dividends (so that for non-residents, no withholding tax will apply)	Distributions are fully taxable, dividends paid out of the tax exempt income and gains are fully taxed at 34.43 % -dividends paid out of the taxable income are fully taxed at 34.43 % -qualifying parent companies holding at least 5 % of the share capital of the SIIC are eligible for the parent-subsidiary 95% exemption for dividends paid out from the taxable income.	Distributions will be fully taxable-G-REIT dividends will be fully taxable regardless of their source.	Distributions are fully taxable Withholding tax is not applied to: Italian Pension funds, Italian undertakings for collective savings investment bodies and the shares in SIQ held in administration are exempted from deduction	Domestic corporate shareholders :are subject to a 7 % withholding tax (for listed JREITs) -dividend aggregated with other income is subject to tax at an effective rate of approx. 42 % -does not qualify for the dividend received exclusion -capital gain is taxed at an effective rate of 42 % -there is no withholding tax for domestic individual shareholders

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<b>Foreign investors</b>	Withholding tax can be applied on payments to non-residents: -30 % unless reduced by treaty -35% on capital gains dividend attributable to the sale of real estate assets; but may be treated as ordinary dividend if foreign shareholders do not hold more than 5 % of any class of stock	Distributions of income and taxable capital gains are subject to non-resident withholding tax (25% less unless reduced treaty). Other distributions (returns of capital) subject to 15 % withholding tax- potentially recoverable upon filing special return, where trading losses realised on MFTs units	Subject to Australian tax (30%) on share of the trust's net income attributable to Australian sources Subject to 10 % withholding tax on interest and 30 % on unfranked dividends	Dividends are subject to withholding tax of 25% ( under draft legislation 15%; 0% when made to EU tax-exempt institutions); rate may be reduced by treaty Capital gain dividends from tax-free reinvestment reserve are free of withholding tax	Dividends are subject to 15 % withholding tax, may be reduced under the tax treaty Capital gains on disposal on shares are fully taxable as ordinary profits at 33.99 %.	Foreign shareholders receive dividends from the tax exempt business net of basic rate income tax (22%) They may be able to reclaim some of this under the provisions of a double tax treaty	Distributions are taxable as dividends, subject to withholding tax (25% unless reduced by treaty)	Distributions will be subject to 23.375% withholding tax. Effective Rate typically reduced to 15 % by treaty if income relates to German real estate	Until now no specific form of exemption for the non fiscally resident investors is foreseen (they may be able to reclaim under the provisions of a double tax treaty)	Dividends are subject to withholding tax of 7% (for listed JREITs) Higher rates may be reduced by an applicable tax treaty Capital gain on disposal of shares are not subject to capital gains tax provided that the shareholder does not sell 5% or more of the shares in a public JREIT in a single tax year
<b>Withholding tax</b>	No withholding tax on distributions to US shareholders -30 % withholding on foreign distributions unless lowered by treaty -35% withholding tax on distribution of REIT capital gain dividends to foreign shareholders attributable to the sale of real estate assets by the REIT	-No withholding on distributions to Canadian resident unit holders -25 % domestic withholding tax on income paid to non-resident unit holder of Canada, unless a lower tax treaty rate applies -15% domestic withholding tax on amounts not otherwise subject to tax under the ITA paid to a non-resident unit holder of Canada by certain MFTs	The trustees must withhold a tax in relation to Australian source income distributions to foreign unit holders 30 % withholding tax for unfranked dividends and 10% on interest on distributions to non-resident unit holders, may be reduced by double tax treaty	-15%, which may be reduced pursuant to a double taxation treaty -the amount of the tax free capital gain reserve is considered "capital" for withholding tax purposes, Which is in principle , not subject to withholding tax	15 % dividend withholding tax, which may be reduced pursuant to the application of tax treaties	22% withholding tax but exceptions apply for some investors. Restrictions may apply to holdings of 10 % or more	-Non-French investors subject to 25 % withholding tax This can be reduced under applicable tax treaties to 15%, 10%, 5% or 0% -0% to resident shareholders	Yes, reduced rate for certain tax-exempt residents taxpayers. Restrictions may apply to holdings of 10 % or more	20 % withholding tax but reduction to 15 % for profits deriving from the rental activity for residential purpose under certain conditions	7% -public JREITs for non-resident investors until march 2008 -15% thereafter -rates may be reduced by an applicable treaty

	USA REITs	Canada MFT	Australia ALPTs	Netherlands FBI	Belgium SICAFI	UK REITs	France SIIC	Germany G-REITs	Italy SIQ	Japan J-REITs
<b>Assets</b>	At least 75 % of assets must be real estate, cash or US government securities, or a temporary investment of new capital. The new value of any issuer's securities by vote or value (exceptions apply). Total value of taxable REIT subsidiaries cannot exceed 20 % of the assets. Not more than 25% of the total asset value can consist of securities. Above tests must be met quarterly	Trust cannot hold any portfolio property (other than real property situated in Canada) at any time in the year Non-portfolio property includes: Equity and debt of Canadian-resident corporations, trusts or partnerships, if the trusts hold either >10% of the entity's equity value or interests in the entity and affiliated entities with a FMV > 50 % of the trust's equity value; and -property of the trust used in carrying on a business	Investments in property for the primary purpose of deriving rental income	Assets must be passive investments. Under a legislative proposal, real estate development may be allowed as a separate taxable activity	activity limited to real estate investment; if necessary, the company can invest its assets in listed securities; risk diversification: no more than 20% of total assets invested in a single property; borrowing limited to 65% of the market value of the companies assets; the granting of sureties and mortgages is limited to 40% of the total assets and 75% of an individual building	At least 75 % of the gross asset value must be real estate investment properties of any type and in any location worldwide. Cash proceeds of sale held up to 24 months after the sale are considered qualifying property for this purpose. at least three investment properties, no one property can comprise more than 40 % of the total value of rental properties "owner-occupied" property does not qualify for 75% test	Assets pertaining to ancillary activities (i.e. real property trading): -are not eligible for SIIC regime and -must not exceed 20 % of SIIC's total assets.	At least 75 % of the balance sheets assets must be real estate that meets certain criteria. German properties must be held directly or through partnerships; cannot invest through other corporations. May own 100% subsidiaries that hold only non-German real property	Value of the real estate registered in the assets and destined for rental must be of at least 80 % of the active capital -for every financial year at least 80 % of the positive economic account derive from real estate rental	Only qualified assets, including real estate and rental rights in real estate -Cannot hold 50 % or more of the total issued shares of another company -JREITs are all the time required to maintain net asset of not less than JPY 50 million -At least 75 % of total assets invested in real estate and real estate related instruments rental activity
<b>Special regime status</b>	REITs are exempted from tax at the corporate or trust level on income distributed to the shareholders	MFTs will be exempted from the "Distribution tax" that will apply to other publicly traded income trusts and partnerships	ALPTs are exempt from tax	BIs are exempt from tax	SICAFI are exempt from corporate income tax	UK REITs will be exempt from tax on income and capital gains from property investments	Eligible entities are exempt from corporate income tax	G-REITs will be exempt from corporate income tax, the solidarity surcharge and the municipal trade tax	SIQ are exempt from corporate income tax (national and regional) on income and capital gains from rental activity	JREITs can deduct dividends payable to their investors from their taxable income, any amount distributed to the investors will not be subject to corporate tax

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<b>Loss of status</b>	Loss of status requires a five-year wait to re-elect status unless waived by government for reasonable cause. Failure of the asset diversification condition can be cured within the 30 days of the quarter end.	Income and asset tests apply annually	Breach of eligibility conditions cause LPT to be treated as a corporation for tax purposes	Breach of eligibility conditions can result in loss of status	Income and asset tests apply annually	Breach of eligibility conditions (income and asset tests) can result in loss of status, and reversion to being fully taxable	Loss of status within 10 years of election to be a SIIC result in tax (at the standard rate of 34.43 % in most cases) capital gains are previously subject to the 16.5 % exit tax; the exit tax will be the creditable against this liability)	Penalties apply if eligibility conditions (other than 10% shareholder limit) are breached. Ongoing breach can result in loss of tax exemption.	Breach of eligibility can result in loss of status	Breach of eligibility conditions can result in loss of status