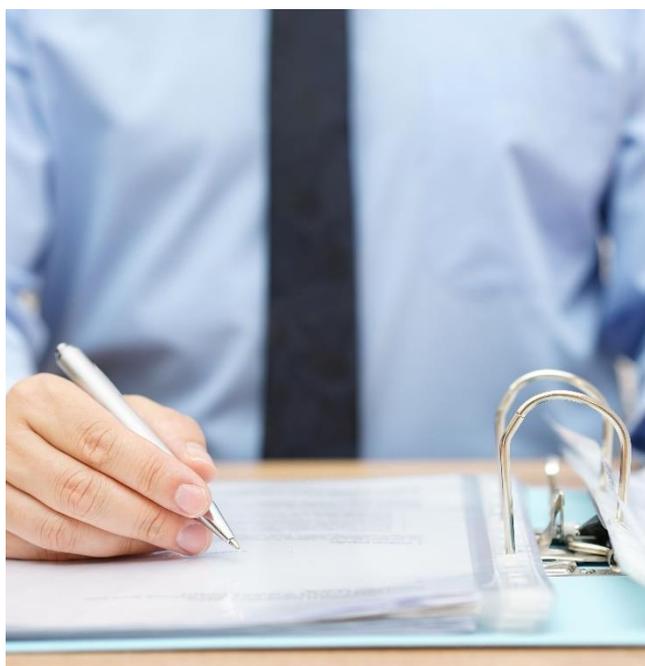


New e-Tax Guide on Income Tax Treatment of Real Estate Investment Trusts and Approved Sub-Trusts



On 6 January 2017, the Inland Revenue Authority of Singapore issued an e-Tax Guide on “Income Tax Treatment of Real Estate Investment Trusts and Approved Sub-Trusts”.

This e-Tax Guide replaces the previous e-Tax Guides on “Income Tax Treatment of Real Estate Investment Trusts (Fourth Edition)” published on 3 November 2015 and “Income Tax Treatment of Approved Sub-Trusts of a Real Estate Investment Trust” published on 14 May 2008.

The key changes introduced in the latest e-Tax Guide are summarised as follows.

List of Qualifying Unit Holders has been expanded

The list of Qualifying Unit Holders (i.e., unit holders who could receive distributions of tax transparent income from REIT without withholding tax) has been expanded to include:

- International organisations that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145).

Tax transparency treatment is available for rental support payment

Rental support payments in relation to immovable property distributed by a REIT or its approved sub-trusts on or from 29 December 2016 will qualify for tax transparency treatment subject to the following:

- Rental support payment is made under an agreement at the time of the sale of an immovable property and the agreement provides that such payment is to be made only for a fixed period of time;
- Rental support payment is intended to compensate the REIT or its approved sub-trusts in the event that the amount of rental income from the property over a period of time is less than an amount agreed as the expected rental income for such period, taking into account prevailing and forecasted market conditions at the time of that sale;
- Rental support payment is paid to the REIT or its approved sub-trusts by the seller of the immovable property, a person who wholly owns directly or indirectly the seller or any other person approved by the Comptroller; and
- Rental support payment must be on an open market value basis.

This is in line with the changes introduced in the Income Tax (Amendment) (No. 3.) Bill and the subsequent changes to the Income Tax Act.



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Our Comments

The changes introduced in the latest e-Tax Guide would allow tax incentives for REITs to remain relevant. In the past, rental support payments may or may not qualify for tax transparency treatment depending on their specific facts and circumstances. Legislating the qualifying conditions for tax transparency treatment would help to provide greater equity and certainty amongst the REITs in Singapore. Further, timing is critical in making deals and advance ruling process takes time. Upfront certainty on the tax treatment could help our REITs in Singapore in securing opportunities and executing transactions in a timely manner. Tax measures like these will continue to play an important role to support the REITs in Singapore.

How we can help

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

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