

REITs quick reference guide

What is a REIT - comparison across four countries

2007 sees the launch of the UK-REIT. German and Italian REITs are set to follow. REITs have become a global phenomenon. However, whilst there are many similarities the structures and regimes differ from country to country. [This guide gives a quick review of four of them.](#)

Nabarro has been closely involved in the development of UK REITs both at a company and sector level. It is currently advising leading names in the sector on UK REIT issues including conversion to REIT status. Recognising the tremendous potential REITs have for the real estate sector Nabarro has assembled a dedicated REITs Group to advise clients on these opportunities. This group includes specialists in real estate, corporate finance, tax and banking and is actively involved in the development and the promotion of REITs within the sector. It works with Gassner Stockmann & Kollegen in Germany and August & Debouzy in France on real estate sector developments there.

Nabarro is well known for its work in the real estate sector including:

- Real estate M&A and listings
- Real estate funds
- Multi-jurisdictional joint ventures
- Investment into European and global real estate funds, and
- Real estate taxation.

FORM	CONVERSION COSTS	LISTED	FORM	RESTRICTIONS ON ACTIVITIES	TAX ON CAPITAL GAINS	TAX ON INCOME	INCOME DISTRIBUTION REQUIREMENT	WITHHOLDING TAX
USA REIT	None. However, any unrealised gain at time of conversion is brought into tax within the REIT over a 10 year period There is also a charge on exit from the REIT regime if, by the end of the first year as a REIT, any earnings and profits from any pre-REIT years remain undistributed	Not required	Corporate	Ability to develop property if developing for the production of rental income and for itself Use of taxable subsidiary to carry out add-ons	Not subject to tax on capital gains it distributes To extent retained	Not subject to tax on income it distributes To extent retained	At least 90% of taxable income must be distributed annually	30% withholding on foreign distributions unless lowered by treaty 35% withholding tax on distributions of REIT capital gain dividends to foreign shareholders attributable to the sale of real estate assets by the REIT
France SIIC	Upon election, a 16.5% exit tax is due on latent real estate capital gains, paid over four years in four equal instalments	Yes. Must be a listed company on the French regulated market. Minimum share capital of c15 million	Corporate	Main corporate purpose must be the acquisition or construction of buildings for rental purposes and/or the direct or indirect holding of shares in companies having the same corporate purpose SIIC may perform non-qualifying activities within certain limits. These activities remain taxable under the standard corporation tax rules	Exempt if relates to eligible activities	Exempt if relates to eligible activities	At least 85% of rental income must be distributed annually	Non-French investors subject to 25% withholding tax This can be reduced under applicable tax treaties
UK REIT	Entry charge of 2% of the gross market value of properties within the property rental business. Can be paid by instalments.	Required to be listed on a recognised stock exchange (not AIM)	Corporate	At least 75% of the total income profits must arise from its property rental business. The value of the assets in the property rental business must be at least 75% of the total value of all its assets	Exempt if relates to eligible activities	Exempt if relates to eligible activities	At least 90% of net taxable income must be distributed annually	22% withholding tax but exceptions apply for some investors. Restrictions may apply to holdings of 10% or more
Germany REIT (Proposals only)	Possible 20% exit taxation	Required	Corporate	At least 75% of the total income profits must arise from letting real estate assets At least 75% of assets must meet certain qualifying criteria. Exclusions apply in the case of residential property	Exempt from corporation income tax, the solidarity surcharge and trade tax if meet qualifying criteria	Exempt from corporation income tax, the solidarity surcharge and trade tax if meet qualifying criteria	At least 90% of net income must be distributed annually	Yes, reduced rate for certain tax-exempt resident taxpayers. Restrictions may apply to holdings of 10% or more

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