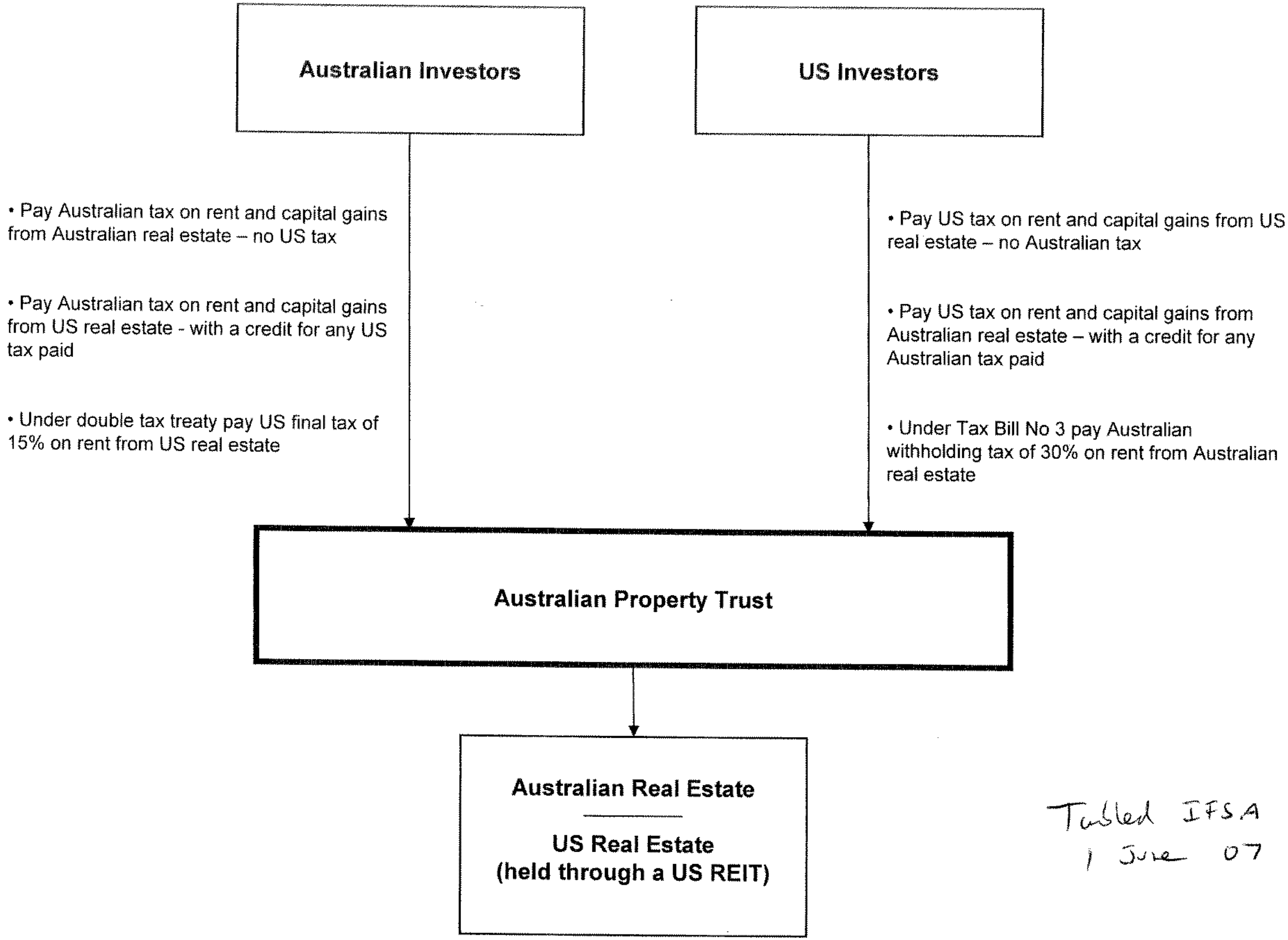
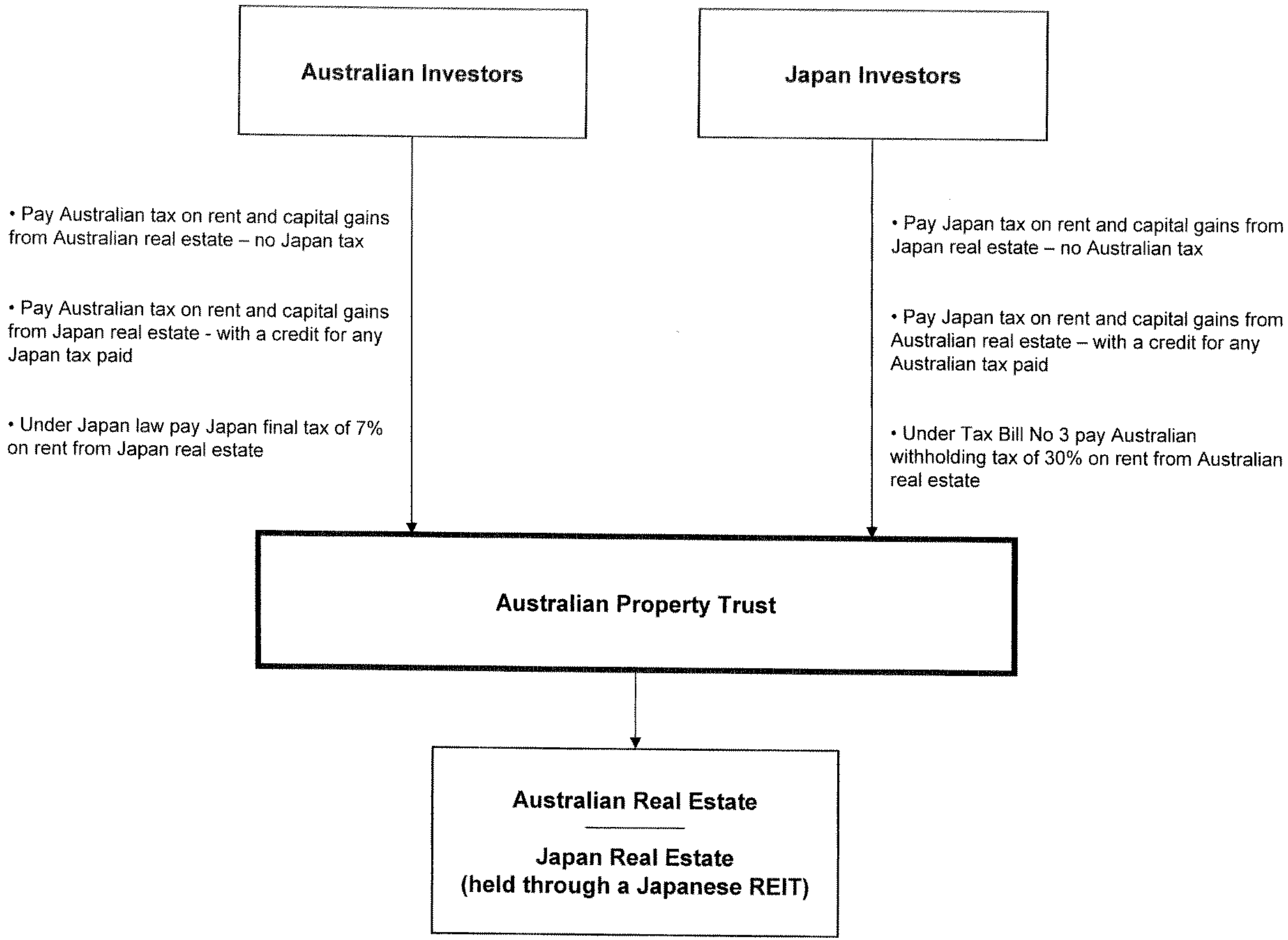
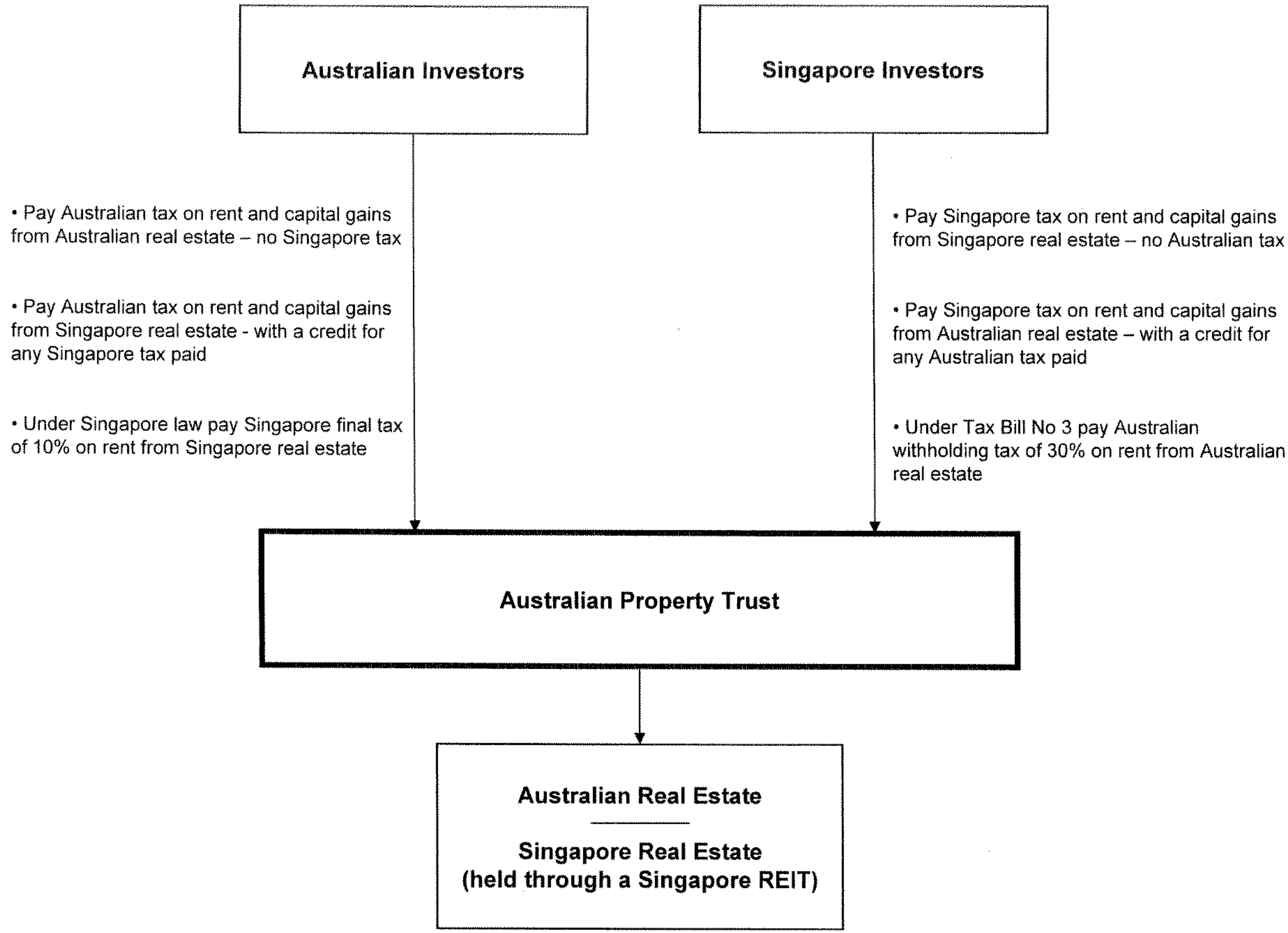
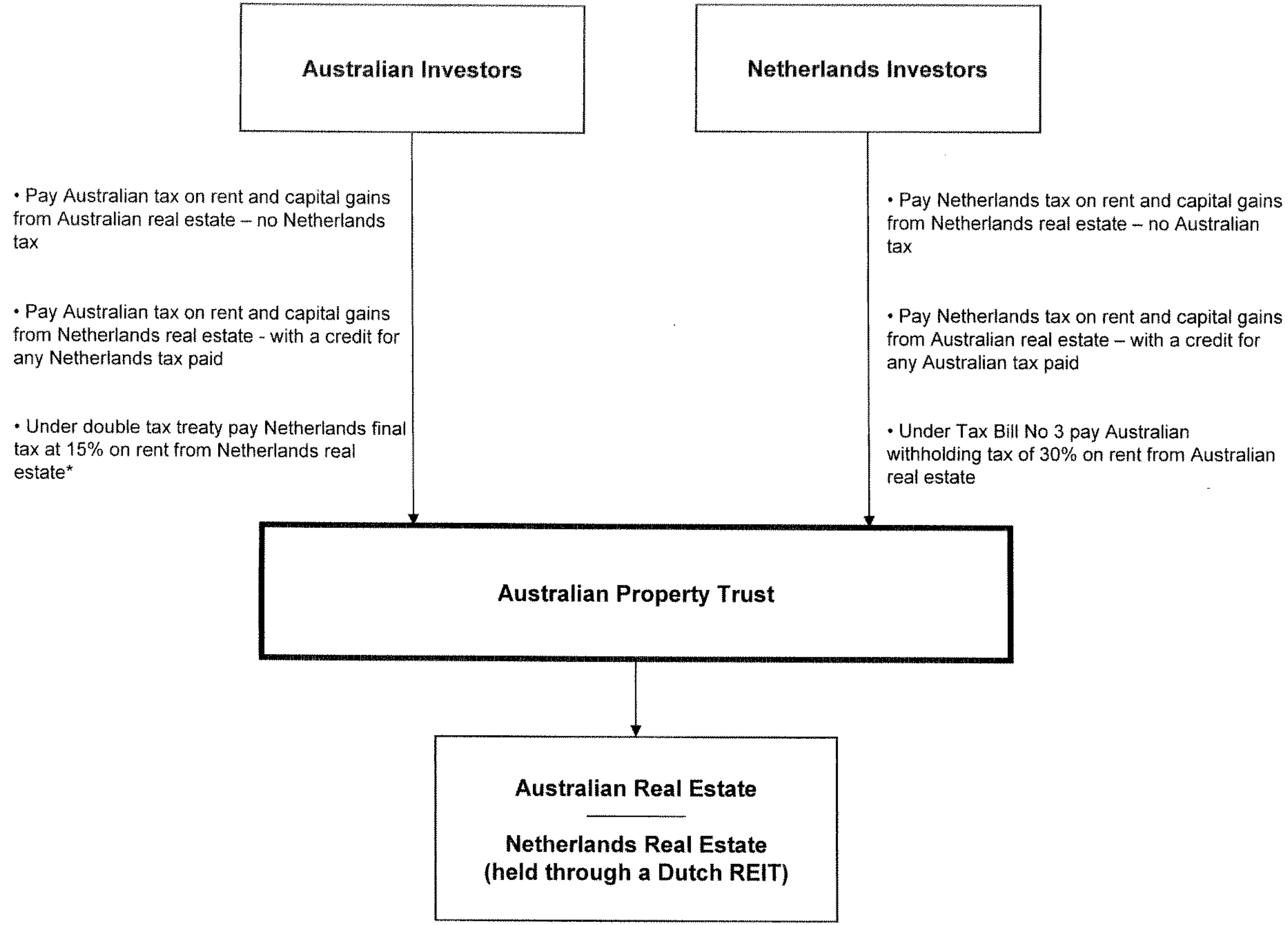


Tabled IFSA
1 June 07

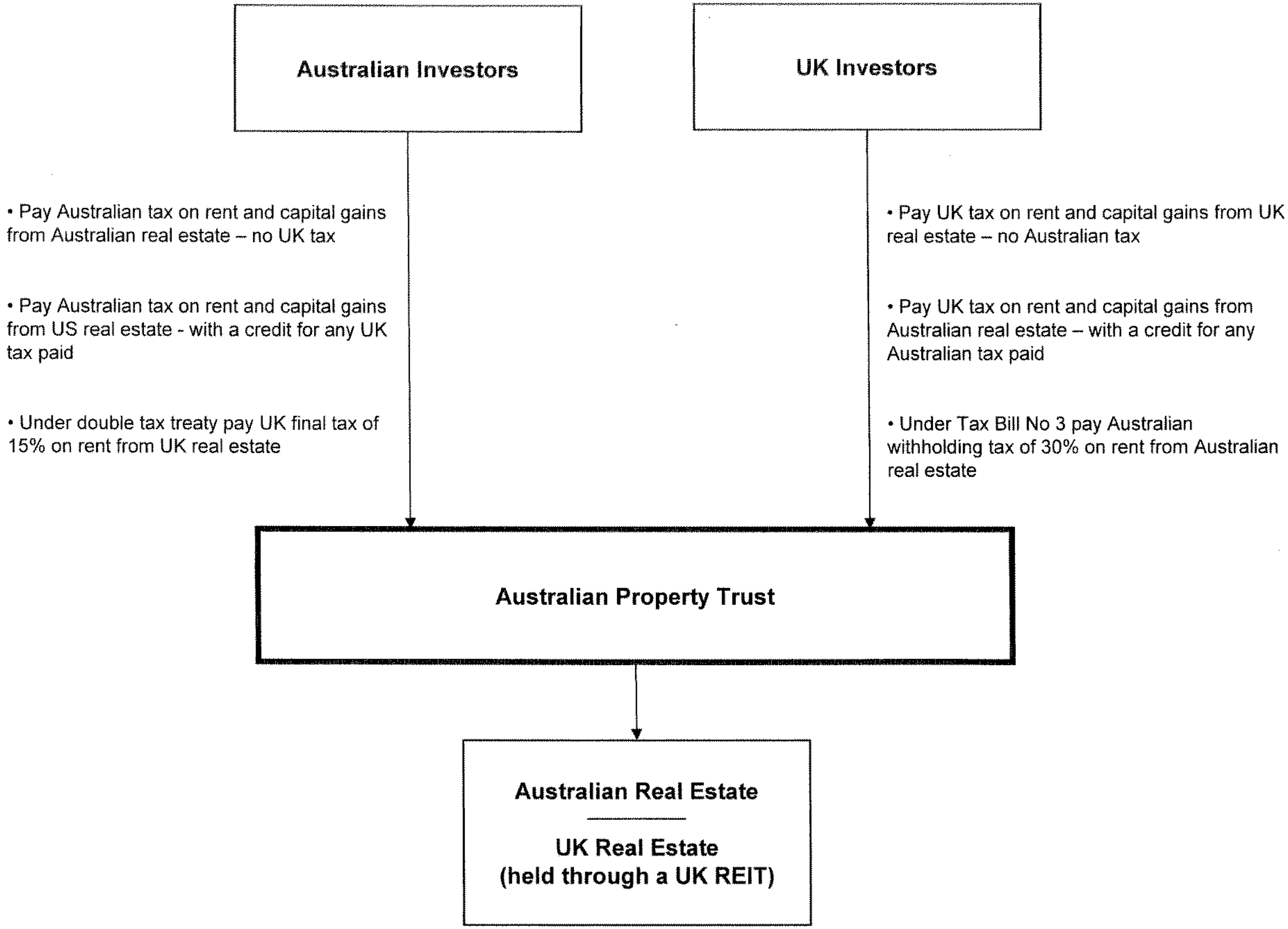

Australian Investors
Japan Investors
• Pay Australian tax on rent and capital gains from Australian real estate – no Japan tax
• Pay Australian tax on rent and capital gains from Japan real estate - with a credit for any Japan tax paid
• Under Japan law pay Japan final tax of 7% on rent from Japan real estate
• Pay Japan tax on rent and capital gains from Japan real estate – no Australian tax
• Pay Japan tax on rent and capital gains from Australian real estate – with a credit for any Australian tax paid
• Under Tax Bill No 3 pay Australian withholding tax of 30% on rent from Australian real estate
Australian Property Trust
Australian Real Estate
Japan Real Estate
(held through a Japanese REIT)



Australian Investors
Singapore Investors
• Pay Australian tax on rent and capital gains from Australian real estate – no Singapore tax
• Pay Australian tax on rent and capital gains from Singapore real estate - with a credit for any Singapore tax paid
• Under Singapore law pay Singapore final tax of 10% on rent from Singapore real estate
• Pay Singapore tax on rent and capital gains from Singapore real estate – no Australian tax
• Pay Singapore tax on rent and capital gains from Australian real estate – with a credit for any Australian tax paid
• Under Tax Bill No 3 pay Australian withholding tax of 30% on rent from Australian real estate
Australian Property Trust
Australian Real Estate
Singapore Real Estate
(held through a Singapore REIT)



*** Netherlands REIT rules currently being reviewed – proposals include nil or further reduced non-resident withholding tax**


Australian Investors
UK Investors
• Pay Australian tax on rent and capital gains from Australian real estate – no UK tax
• Pay Australian tax on rent and capital gains from US real estate - with a credit for any UK tax paid
• Under double tax treaty pay UK final tax of 15% on rent from UK real estate
• Pay UK tax on rent and capital gains from UK real estate – no Australian tax
• Pay UK tax on rent and capital gains from Australian real estate – with a credit for any Australian tax paid
• Under Tax Bill No 3 pay Australian withholding tax of 30% on rent from Australian real estate
Australian Property Trust
Australian Real Estate
UK Real Estate
(held through a UK REIT)

Tax Laws Amendment (2007 Measures No 3) Bill 2007

The Ralph Review

The Review of Business Taxation (Ralph Review) in 1999 noted:

> *"In the absence of effective collection mechanisms, it can be difficult to ensure that the Australian tax liability of non-residents is met if they do not have a permanent presence or assets in Australia. ATO examinations have disclosed high levels of non-compliance by non-residents without a permanent presence in Australia. The most effective way to collect tax is through withholding systems. This is reflected in their widespread use overseas."*

The Board of Taxation

The Board of Taxation in its Review of International Taxation Arrangements examined the possibility of a general withholding tax for Australian property trusts and in 2003 recommended:

> *"Recommendation 4.8A:*
>
> *The Board recommends that withholding tax on net rental income of property trusts be set at a flat rate of 30 per cent, subject to treaty reduction to 15 per cent on a reciprocal basis."*

In its discussion of that Recommendation, the Board noted:

> "4.62 *Withholding on property unit trusts could be set at a flat 30 per cent for distributions to non-resident companies, individuals and others. This would simplify compliance in the industry. The tax rate could be subject to possible treaty reduction to 15 per cent where reciprocal treatment is afforded to Australian-resident investors in foreign property trusts. In the US protocol, this has happened for Australian residents investing in US REITs, but not in reverse. Further, treaty rules should also be considered on a treaty-by-treaty basis to ensure hat Australian property trusts are not disadvantaged in their investments overseas.*
>
> 4.63 *Currently, foreign unitholders can file a return and claim deductions against the income (commonly, interest would be the only deduction). The Board does not recommend changing this rule. Rental income derived directly by non-residents is subject to deductions, and the same should apply to rental income derived through unit trusts to preserve conduit treatment."*

Bill No 3

Tax Laws Amendment (2007 Measures No 3) Bill 2007 implements the first part of the recommendation of the Board of Taxation in providing for a 30% flat non final withholding tax on distributions from Australian managed investment trusts to non-residents.

The Bill does not deal with the second part of the recommendation, namely that the rate be reduced where reciprocal treatment is afforded to Australian resident investors in foreign funds.

Recommendation

It is recommended that the Government announce that the tax treatment under Tax Bill No 3 of residents in a foreign country who are investors in Australian managed investment trusts will be reduced on a reciprocal basis to the same as that foreign country's tax treatment of Australian residents who invest in its managed investment funds.

Speed and Stracey Lawyers
31 May 2007