Australian Listed Property Trusts

Withholding Tax

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1. Executive Summary

10 years ago Australian listed property trusts (LPTs) held no material assets overseas. Today they hold about $46 billion in overseas assets – about 38.4% of their total assets.

This expansion was made possible by the managed investment reforms and the tax reforms introduced to ensure that LPTs are internationally tax competitive. The remaining major area requiring reform is the withholding tax system in respect of distributions from LPTs to foreign investors.

The current Australian withholding tax system in respect of these distributions has two parts. First, tax is assessed on foreign investors at rates for non-resident corporate investors of 30%, non-resident superannuation funds of 47% and non-resident individuals of progressive rates from 29% to 47%. Second, amounts are required to be retained and paid to the ATO in respect of a distribution, pending the non-resident lodging an Australian tax return and being assessed. On occasions there is required to be withheld 48.5% of a distribution even though no tax or a substantially lesser amount of tax is payable.

The system is internationally uncompetitive, complex and uncertain.

Competition between LPTs, and between countries that have LPT markets, is illustrated by the new double tax treaty concluded on 2 February 2006 between Japan (which has a highly successful, competitive and rapidly growing LPT market) and the UK (which has introduced draft new laws to create a competitive new LPT market). The combined effect of that treaty and Japanese domestic law is that distributions from the Japanese equivalent of an Australian LPT are subject to withholding tax of 7%, with an exclusion from Japanese tax for a foreign superannuation fund.

In considering Australia's current withholding tax system, regard needs to be had to the international role of custodians. Over 90% of foreign investment in Australian LPTs is held by Australian custodians, including investments held for a foreign custodian who in turn holds for the ultimate foreign owner. In practice it is the Australian custodian who is faced with collecting the withholding tax on LPT distributions made to non-residents.

The Government has announced that the tax rates on LPT distributions to foreign investors will be limited to 30%. It is expected that this limit will be reduced further as and when each double tax treaty is renegotiated by Australia.

In our view, Australia cannot wait the 10 years or more it is likely to take to renegotiate its double tax treaties to reduce the 30% rate to an internationally competitive rate. Rather it should immediately unilaterally reform the system as follows:

Recommendation 1:

Australia should impose withholding tax at an internationally competitive rate determined by Government (not exceeding 15%) on the share of the net income of a LPT sourced in Australia (including capital gains on Australian real property) and distributed to a foreign investor who has a portfolio investment. This should be a final tax. The existing withholding system for dividends, interest and royalties should be extended to include the recommended tax to the exclusion of the TFN system. Every 3 years, or earlier if necessary, the rate should be reviewed to ensure it is internationally tax competitive.

Recommendation 2:

Australia should impose withholding tax at a rate of 30% on the share of the net income of a LPT sourced in Australia (including capital gains on Australian real estate) and distributed to a foreign investor who has a non-portfolio investment. This should be a final tax unless the foreign investor elects to be taxed on a net basis on lodgement of an Australian tax return. The existing withholding system for dividends, interest and royalties should be extended to include the recommended tax to the exclusion of the TFN system. Every 3 years, or earlier if necessary, the rate should be reviewed to ensure it is internationally tax competitive.

Recommendation 3:

Australia should unilaterally introduce the recommended withholding tax rates and not wait for treaty negotiations.

Recommendation 4:

The LPT or where there is an Australian custodian for a non-resident investor, the Australian custodian, should be required to withhold at the prescribed rate from affected LPT distributions. The LPT should be required at the time of distribution to publicly notify the final or interim components of the distribution. The custodian should be able to rely on the public notification and if the LPT subsequently adjusts the components, neither the LPT nor the Australian custodian should be required to collect more tax or seek a refund, but should be free to do so.

Recommendation 5:

Foreign superannuation funds and other exempt recipients which are not subject to tax in their domestic jurisdiction should not be subject to withholding tax on distributions from a LPT.

This Report was commissioned by the Westfield Group to examine the comparative withholding tax positions of Real Estate Investment Trust (REITs) (the equivalent of an Australian LPT) in the world and recommend a new system for Australia. This firm also acts from time to time for Australian custodians.

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17 February 2006

2. Recommendations

1. Introduction

10 years ago Australian listed property trusts (LPTs) held no material assets overseas. Today they hold about $46 billion in overseas assets – about 38.4% of their total assets.

This expansion was made possible by the managed investment reforms and the tax reforms introduced to ensure that LPTs are internationally tax competitive. The remaining major area requiring reform is the withholding tax system in respect of distributions from LPTs to foreign investors.

The current Australian withholding tax system in respect of these distributions has two parts. First, tax is assessed on foreign investors at rates for non-resident corporate investors of 30%, non-resident superannuation funds of 47% and non-resident individuals of progressive rates from 29% to 47%. Second, amounts are required to be retained and paid to the ATO in respect of a distribution, pending the non-resident lodging an Australian tax return and being assessed. On occasions there is required to be withheld 48.5% of a distribution even though no tax or a substantially lesser amount of tax is payable.

The system is internationally uncompetitive, complex and uncertain.

Competition between LPTs, and between countries that have LPT markets, is illustrated by the new double tax treaty concluded on 2 February 2006 between Japan (which has a highly successful, competitive and rapidly growing LPT market) and the UK (which has introduced draft new laws to create a competitive new LPT market). The combined effect of that treaty and Japanese domestic law is that distributions from the Japanese equivalent of an Australian LPT are subject to withholding tax of 7%, with an exclusion from Japanese tax for a foreign superannuation fund.

In considering Australia's current withholding tax system, regard needs to be had to the international role of custodians. Over 90% of foreign investment in Australian LPTs is held by Australian custodians, including investments held for a foreign custodian who in turn holds for the ultimate foreign owner. In practice it is the Australian custodian who is faced with collecting the withholding tax on LPT distributions made to non-residents.

The Government has announced that the tax rates on LPT distributions to foreign investors will be limited to 30%. It is expected that this limit will be reduced further as and when each double tax treaty is renegotiated by Australia.

In our view, Australia cannot wait the 10 years or more it is likely to take to renegotiate its double tax treaties to reduce the 30% rate to an internationally competitive rate. Rather it should immediately unilaterally reform the system.

In considering the withholding tax system which should apply to distributions from Australian LPTs to foreign investors, the system should meet three criteria: it must be internationally competitive, certain and simple to administer.

2. Competitive withholding tax rates

Listed Property Trusts (LPTs) and Real Estate Investment Trusts (REITs) have throughout the world the same general tax features – tax is not imposed at the LPT or REIT level - distributions are taxed at the investor level.

Where the distribution is made to an investor who is not resident in the place of the LPT the distribution is usually subject to withholding tax.

The rates below are the general REIT withholding tax rates assuming that the typical double tax treaty applies and relevant conditions are met, eg the investor has no permanent establishment in the country (a portfolio investment is an investment of less than 10%).

Global REIT withholding taxes		
Country	Portfolio Investment	Non-portfolio Investment
Belgium	15%	0% -15%
France	15%	0% - 15%
Hong Kong	0% (but 15%-17.5% REIT tax)	
Japan	7%	0%-7%
Netherlands	15%	0%-15%
Singapore	0% for individuals, 10% for other investors	
UK (proposed)	15%	N/A
USA	15%	30%

In Parts 9 and 10 of this Report, we detail the withholding tax rates which apply throughout the world to distributions from REITs.

The three major competitive investment REIT markets overseas for Australian LPTs are USA, Japan and Singapore. The US imposes withholding tax on distributions from US-REITs to foreign investors at the rate of 30% but this is reduced to 15% under most of its double tax treaties for portfolio investment.

Both Japan and Singapore have, with Australian assistance, established major REIT markets within the last 5 years. Singapore imposes no withholding tax for foreign individuals and 10% for other foreign investors. Japan imposes a withholding tax of 7%, subject to further reduction under double tax treaties. Under the 2 February 2006 double tax treaty between Japan and the UK, foreign superannuation funds are not subject to any Japanese withholding tax.

In the US, Singapore and Japan the reduced withholding tax rate is a flat fixed rate and the investor is not entitled to set off deductions.

Hong Kong has the potential to be the leader in the area as the REIT gateway to China. At present Hong Kong is the only country in the world to tax at the REIT level (15%-17.5%) with no tax on distributions. This can be expected to change within the next 5 years.

3. Administrative requirements of a withholding tax system

Certainty and simplicity of administration of a withholding tax system involves:

- **Ensuring that tax is collected before remitted overseas**

  To ensure that tax is collected it is essential that it is collected in Australia before the distribution is remitted overseas. Once remitted the ATO has major administrative difficulties and delays of collecting the tax from the ultimate non-resident investor. With LPTs where units owned by foreign investors are commonly registered in the name of an Australian custodian, the collection point is the custodian.

- **Payment of net remittance overseas must be made within 24 hours of distribution**

  Payment of the net distribution is required within 24 hours of distribution. This means that the processing of the tax to be collected must be highly computerised in advance – with no manual adjustments or analysis required by highly skilled personnel.

- **Tax collected must not be subject to further adjustment**

  The amount of tax collected must be right the first time. Major difficulties occur where a refund is given to or claw back sought from the foreign investor. For example, by the time of the next distribution the ultimate foreign investor concerned may have sold out and its place taken by a new investor. The above position is compounded with quarterly and half yearly distributions made by LPTs. It will often not be known at the time of distribution the exact components of the distributions – even if known for the first three or six months, the mix could change for the total twelve months.

- **The non-resident should not be obliged to lodge a tax return**

  It is important that a non-resident is not obliged to lodge a tax return in Australia as it is not international practice to do so.

4. Portfolio and non-portfolio investment

In our view there is an important distinction between portfolio (ie investment of less than 10%) and non-portfolio investment (10% or greater) in a LPT. Where a single foreign investor owns 10% or more of a LPT or REIT the investment takes on aspects of direct real estate ownership. The distinction between portfolio and non-portfolio is already recognised in the existing Australian tax system in other contexts.

In our view a different withholding tax rate should apply to a portfolio investment as compared to a non-portfolio investment. In practice the distinction will only work if the LPT and custodian can rely on the holding of the foreign investor as stated by that foreigner investor.

5. Portfolio investment

The comparative tax rates for Australia's major competitors on portfolio investment are Japan 7%, Singapore 10% and USA 15%.

We consider that the US is a unique market because it is the global market of choice for foreign investors. The competitive benchmark for Australia is that of Japan and Singapore.

In our view, the Australian rate should be an internationally competitive rate determined by the Australian Government, not exceeding 15%. The rate should be reviewed every 3 years, or earlier if necessary, to ensure it remains internationally competitive.

Recommendation 1:

Australia should impose withholding tax at an internationally competitive rate determined by Government (not exceeding 15%) on the share of the net income of a LPT sourced in Australia (including capital gains on Australian real property) and distributed to a foreign investor who has a portfolio investment. This should be a final tax. The existing withholding system for dividends, interest and royalties should be extended to include the recommended tax to the exclusion of the TFN system. Every 3 years, or earlier if necessary, the rate should be reviewed to ensure it is internationally tax competitive.

6. Non-portfolio investment

We consider that the withholding tax rate for non-portfolio investment should be comparable to the corporate tax rate for direct corporate investment in Australian real estate.

In our view, the Australian rate should be fixed at 30%.However, unlike the portfolio investment the foreign investor should be free to elect to be taxed on a net basis.

Recommendation 2:

Australia should impose withholding tax at a rate of 30% on the share of the net income of a LPT sourced in Australia (including capital gains on Australian real estate) and distributed to a foreign investor who has a non-portfolio investment. This should be a final tax unless the foreign investor elects to be taxed on a net basis on lodgement of an Australian tax return. The existing withholding system for dividends, interest and royalties should be extended to include the recommended tax to the exclusion of the TFN system. Every 3 years, or earlier if necessary, the rate should be reviewed to ensure it is internationally tax competitive.

7. Australia's double tax treaties

Australia has entered into 42 double tax treaties (Appendix D) and it is not practical to introduce the recommended withholding tax rates as and when each country's double tax treaty is renegotiated. It is necessary that Australia unilaterally introduce a new system for residents of countries with which Australia has a double tax treaty.

It may be that other countries do not reciprocate for Australian investors into that country. However, the US in the last protocol of the double tax treaty with Australia did not seek a reciprocal arrangement for the special treatment given to Australian investors in US-REITs. In addition, the low tax rates in Japan and Singapore are not dependent on reciprocity.

Recommendation 3:

Australia should unilaterally introduce the recommended withholding tax rates and not wait for treaty negotiations.

8. Custodians

We detail in Part 8 of this Report the difficulties faced by Australian custodians holding investments in LPTs, particularly the typical situation of holding for a non-resident custodian.

Recommendation 4:

The LPT or where there is an Australian custodian for a non-resident investor, the Australian custodian, should be required to withhold at the prescribed rate from affected LPT distributions. The LPT should be required at the time of distribution to publicly notify the final or interim components of the distribution. The custodian should be able to rely on the public notification and if the LPT subsequently adjusts the components, neither the LPT nor the Australian custodian should be required to collect more tax or seek a refund, but should be free to do so.

9. Foreign superannuation funds

We consider that the tax treatment of foreign superannuation funds and other exempt recipients on LPT distributions in respect of portfolio investment should be the same as for distributions of unfranked dividends. This is in accordance with international developments of exempting the investment income of foreign pension funds from withholding tax.

Recommendation 5:

Foreign superannuation funds and other exempt recipients which are not subject to tax in their domestic jurisdiction should not be subject to withholding tax on distributions from a LPT.

10. Infrastructure funds and other managed investment funds

This Report is concerned with listed property trusts. We consider that the recommendations should also apply to infrastructure funds and other managed investment funds (whether listed or not).

In this Report the abbreviations set out in Appendix E are used.

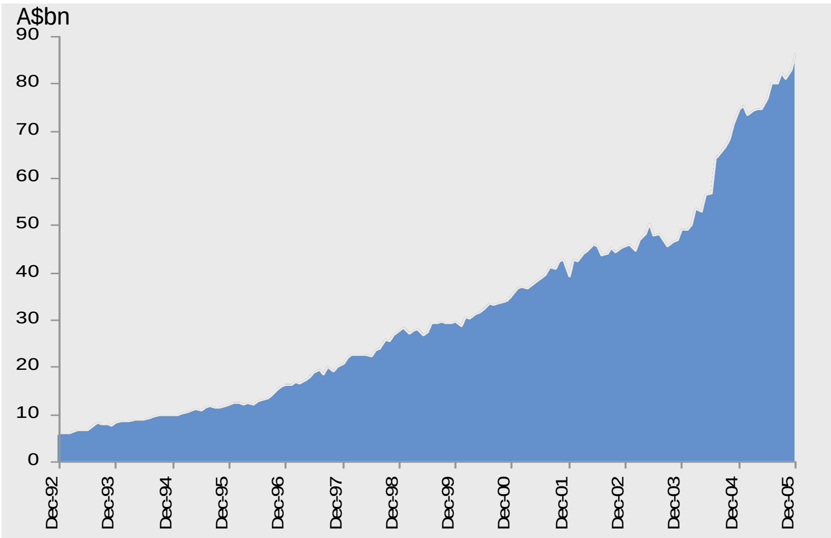
3. Australian Listed Property Trusts

Introduction

Australia is the leader with the US in listed real estate investment trusts, called Listed Property Trusts (LPTs) in Australia and Real Estate Investment Trusts (REITs) elsewhere.

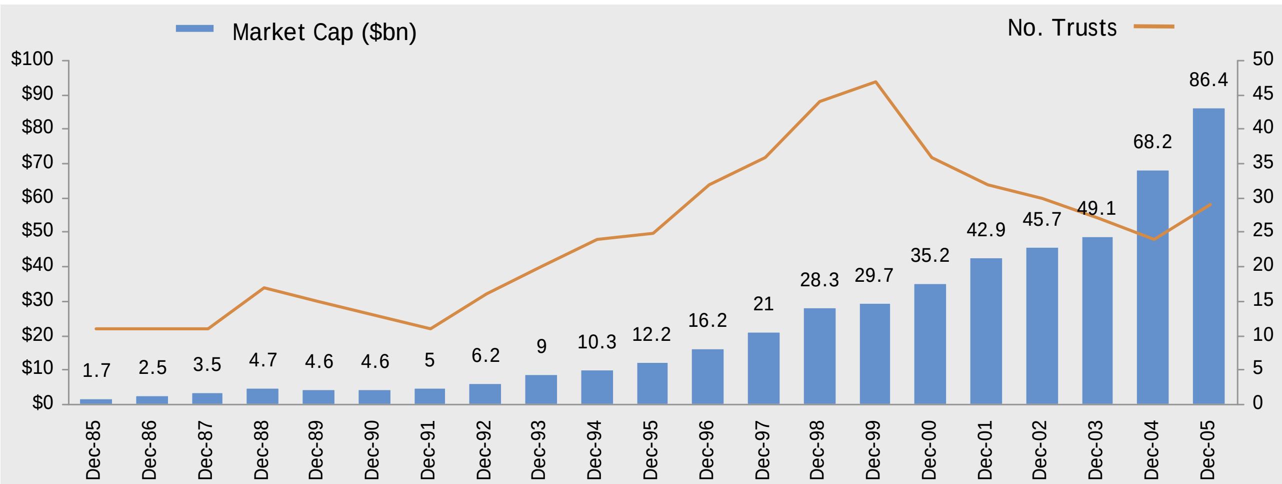
LPTs have a long and established history in Australia.

Australian LPT equity market capitalisation



Today the total market capitalisation of Australian listed property trusts is about $85 billion. The average market capitalisation of indexed Australian trusts has increased from $0.63 billion in 1985 to $3 billion today.

Number of trusts & market capitalisation



Source: JPMorgan

Over the last 10 years LPTs have outperformed the broader stock market with an annualised return of approximately 15%, compared to 12.5% of the ASX 200.

The Australian LPT sector accounts for nearly 10% of the market capitalisation of the ASX, as compared to US-REITs' approximate 2%.

Securitised real estate

Australia has the most securitised property market in the world.

Level of securitised real estate by country

	Real Estate % listed[1]	Real Estate % of Stock Mkt
Australia	**30.24%**[2]	**10.67%**
Hong Kong / China	27.46%	5.84%
Singapore	25.98%	9.29%
Luxembourg	12.48%	5.94%
Sweden	9.90%	3.54%
Canada	7.49%	2.62%
United States	7.18%	2.32%
Netherlands	6.49%	3.36%
New Zealand	5.61%	5.21%
Austria	5.14%	4.62%
United Kingdom	4.59%	1.66%
Japan	4.23%	2.24%
France	3.47%	1.56%
Switzerland	3.07%	0.63%
Spain	2.94%	1.71%
Belgium	2.90%	1.51%
Finland	1.61%	0.61%
World	**5.66%**	**2.29%**

Source: EPRA, September 2005

[1] Total real estate stock is calculated by EPRA based on a proportion of GDP

[2] 65% of investment grade real estate is held by LPTs

Australian LPTs currently hold approximately 12% of the world's listed real estate assets.

The success of Australian LPTs

The success of LPTs lies in the fact that they offer a liquid investment underlying illiquid real property, with stable, high yield cash flows. Investors are able to achieve a spread of investment in a wide market with expert management of the risks of, or finance and knowledge required for, direct property ownership.

Investors are provided with a simple, known product – trust units publicly traded on the ASX. The assets of an LPT are managed by the trust manager, with unitholders entitled to the income from the trust's assets. The simplicity of listed property trusts from the perspective of the investor is the fact that income flows directly to them, and is taxed in the hands of the investor without entity level tax imposed on the trust.

Hundreds of thousands of average Australians have invested in LPTs. A survey of investors has found that over 55% of the investments in a typical LPT were investments of $15,550 or less. Approximately 83% of individual investors are over 50 years of age. 60% of individual investors are retired. 61% of individual investors have household incomes of less than $46,000. Institutional investors are predominately Australian superannuation funds, representing the retirement funds of some 9,000,000 Australians.

Investment in LPTs is not usually an alternative to direct real estate investment. Investment in an LPT is a portfolio investment in a security, delivering stable returns from real estate investments and offering a investment exposure as an alternative to managed funds, fixed interest, or equities.

The LPT market turns over every two years with $40 million of LPT units traded daily. The direct property market turns over only once every ten years.

Existing Australian LPTs

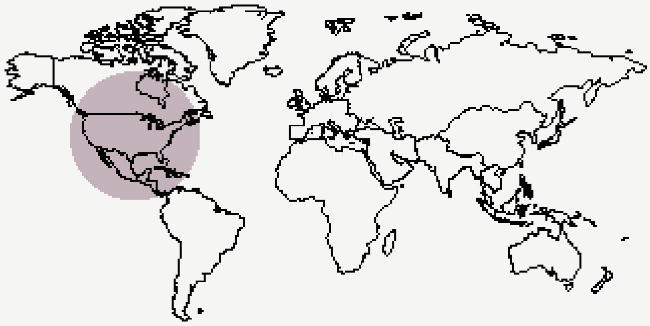
Set out in Appendix C is a list of the Australian LPTs.

The largest Australian LPT is the Westfield Group. It is the leading global retail property owner and the eighth-largest entity on the ASX, with a $31.7 billion (US$24.0 billion) equity market capitalisation. Westfield's property portfolio consists of interests in 130 shopping centres in Australia, New Zealand, the US and the UK, with a gross value of over A$44.5 billion (US$33.2 billion) and approximately 10.6 million square meters of gross leasable area. The following is taken from its 2004 Annual Report.

Westfield Group at a glance

United States

- Interests in 66 shopping centres worth $18.0bn
- 9,000 retail outlets
- 6.3m square metres of retail space



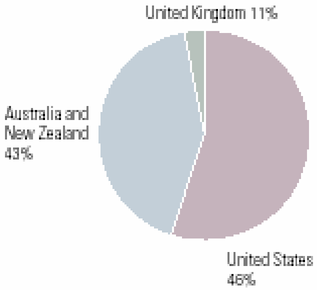
Australia and New Zealand

- Interests in 51 shopping centres worth $17.6bn
- 10,600 retail outlets
- 3.3m square metres of retail space

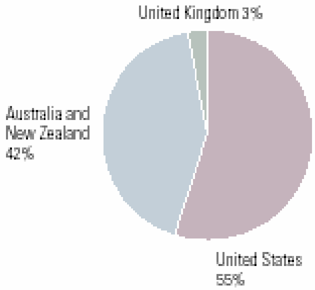
United Kingdom

- Interests in 9 shopping centres worth $4.7bn
- 1000 retail outlets
- 0.4m square metres of retail space

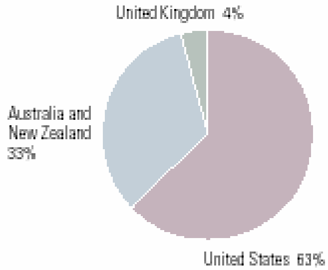
Property investment by region
(Westfield share)



Property income by region



Leasable area



The Stockland Property Group has assets in retail, office, industrial, office parks and development properties, valued at over $8.8 billion (US$6.6 billion), and an equity market capitalisation of $8.5 billion (US$6.4 billion).

The General Property Trust is a diversified property trust with interests in retail, office, industrial and hotel, having an equity market capitalisation of approximately $8.3 billion (US$6.5 billion), and total gross assets valued at over $9.3 billion (US$7 billion).

During the 2005 calendar year there were a total of 10 new LPTs listed on the ASX, taking the total number to 57.

Structure of Australian LPTs

LPTs take the form in Australia of a unit trust (an Australian corporation cannot elect to be, and is not, tax transparent).

The regulation of LPTs is subject to the general requirements of the Corporations Law, ASIC and the ASX. There are no specific provisions, such as borrowing limits or asset qualifications; these are determined by the market. The thin capitalisation tax rules may apply to impose a borrowing limit where the trust is controlled by non-Australian unit holders, or holds overseas assets.

There are no special legal or regulatory requirements to be met to establish a property trust. The requirements of the Corporations Law, such as the managed investment provisions, generally only apply where the public invests and then, when they do apply, are of a general nature and not specific to property trusts, eg there are no special rules for borrowing limits or asset qualifications.

Nature of distributions from Australian LPTs

It is a feature of the Australian tax system that the entitlement of unitholders to the income of a LPT and the distribution received by unitholders retain the same character as in the hands of the LPT, eg interest earned by the LPT which is distributed to a unitholder (whether as the whole or part of the distribution) is treated as interest earned by the unitholder.

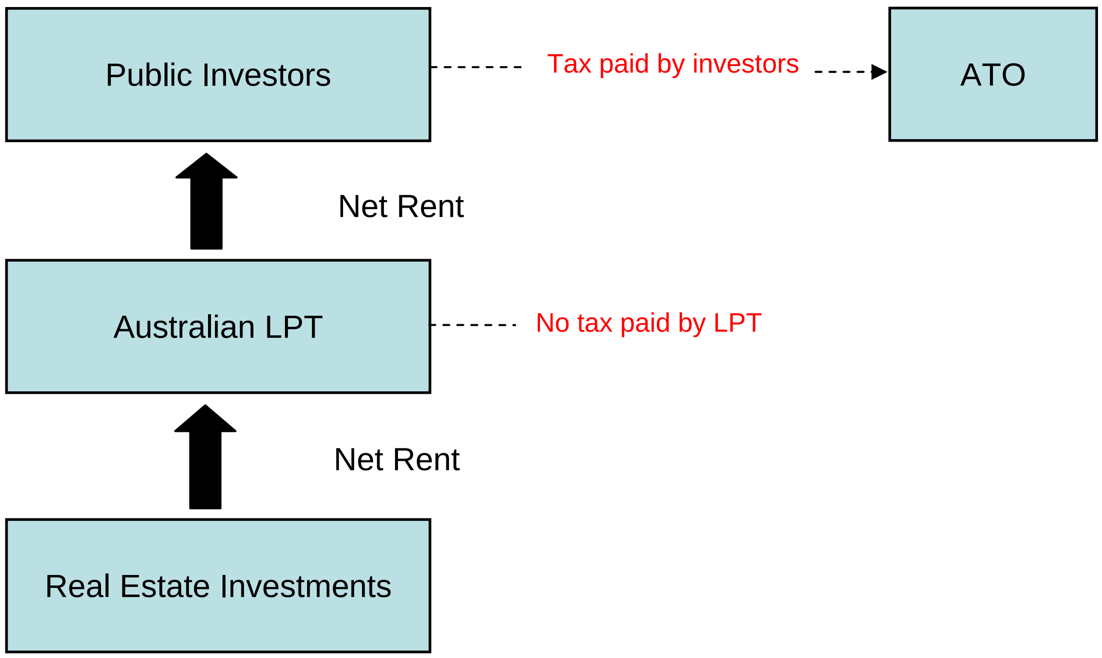
Tax transparency of Australian LPTs

Property Trusts, whether listed or not, resident or not, are tax transparent. Tax is generally imposed at the unitholder level – not at the trust level.

LPTs are subject to the general tax provisions for trusts contained in Division 6 of Part III of the 1936 Tax Act. Particular provisions are contained in Division 6B and 6C of that Part for public trusts (eg publicly listed or have more than 50 investors). Tax is generally imposed at the unitholder level, regardless whether the income is distributed to them.

Where a public unit trust carries on active business it is not treated as tax transparent and the trust is taxed at the trust level; Division 6C. Certain anti-avoidance provisions concerning reorganisations are contained in Division 6B. Under Division 6C an LPT which does not intend to be taxed as a company can only invest in passive investments and must not carry on a trading business nor control any entity which does so. This means, with respect to real estate, that the LPT can invest in real estate anywhere in the world provided the investment is for the sole purpose, or primarily for the purpose, of deriving rent.

Accordingly LPTs do not generally pay tax. The following diagram illustrates the position.



Unlike the position elsewhere in the world, however, there is no provision in Division 6C permitting a LPT to have a taxable subsidiary. As a result, within recent times it has become necessary for the units in a LPT to be "stapled" to shares in associated corporate entities. This means that the unit trust remains in existence and so do the shares in the associated corporation - but the units and shares can only be traded together. The first stapling was the Mirvac Group where the units in the Mirvac Trust investing in real estate were stapled to shares in the Mirvac trading company developing and selling real estate. Under stapling the tax transparency of the trust remains as regards the units in the trust.

Tax at the investor level

An Australian resident corporate unitholder in a LPT is subject to tax on its share of the worldwide net income of the Trust (including capital gains) at the current corporate income tax rate of 30%. Where the distribution is a return of capital, including a “tax deferred” amount, the corporate unitholder is only taxable to the extent that the distribution exceeds the tax cost base of its units.

Where the unitholder is an Australian resident individual he or she is taxed at the marginal tax rates (with a maximum tax rate of 48.5%) Distributions of capital gains made by the Trust are taxable to the individual unitholder and may qualify for the reduced 50% capital gains tax discount rate. Like corporate unitholders, where a distribution comprises a return of capital the unitholder is only taxable to the extent the distribution exceeds the unitholders tax cost base. Where there is an excess, the individual may qualify for the reduced 50% capital gains tax discount rate.

Australian superannuation funds generally pay tax at the rate of 15%, or 10% for capital gains on assets held for more than 12 months. There is no special exemption for LPT distributions.

Withholding on distributions to non-Australian residents

At Part 8 is a summary of the withholding tax position on LPT distributions to non-Australian residents.

Sale of units by Australian residents

Any gain on the sale of a unit in a LPT is either ordinary income (usually where the units are trading assets) or a capital gain (usually where the units are held as an investment).

A resident corporate unitholder is subject to tax at 30% rate on any net gain - without any reduction if held as an investment. A resident individual unitholder is subject to tax at marginal tax rates but may qualify for the 50% capital gains discount rate on capital assets held for investment.

Sale of units by non-Australian residents

Non-resident unitholders (whether corporations, individuals or foreign superannuation funds), who are not traders, generally are not subject to Australian tax on any gain on the sale of their units in a LPT unless they hold more than 10%.

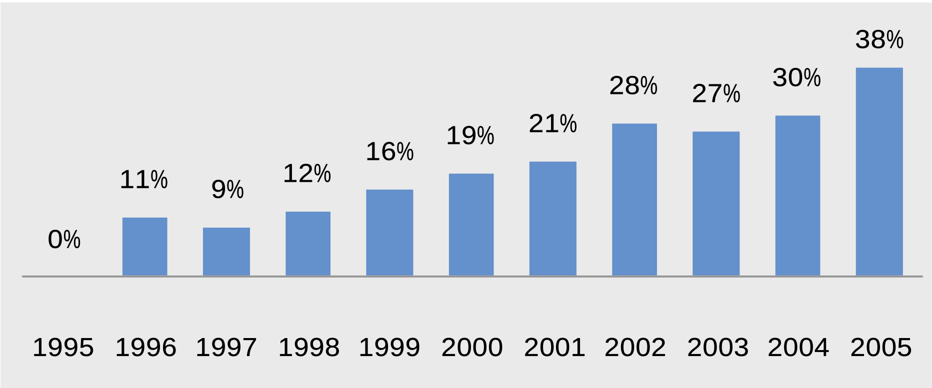
Where more than 10% of the LPT is held a non-resident corporation is taxed at 30%, and a non-resident individual at tax rates from 29% to 47% (they may benefit from the 50% capital gains discount rate). A foreign superannuation fund is taxed at the rate of 47%. The Treasurer, Mr Costello, announced in May 2005 (Appendix B) that capital gains tax on non-resident investors will cease to apply to assets other than real property.

4. Overseas expansion by Australian Listed Property Trusts

10 years ago no Australian LPT had any material overseas assets.

Today they hold around A$46 billion in overseas real estate assets – about 38.4% of their total assets.

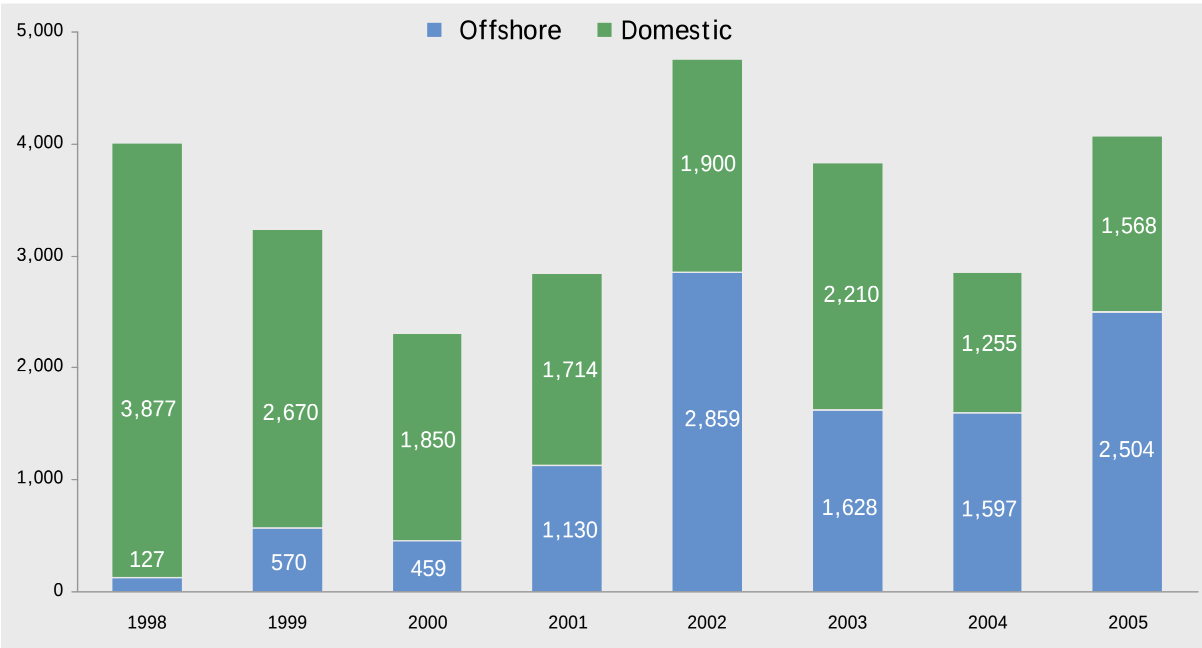
Offshore assets in the LPT sector



Source: JPMorgan

During 2005 approximately $5 billion in new equity was raised by LPTs, of which about 67% was designated for acquisition of foreign real estate assets.

Capital raising summary domestic vs offshore acquisitions (A$mm)



Source: JPMorgan Research

The growth has resulted from the shortage of suitable opportunities in Australia, the availability of funds and globally focused Australian management.

During the year end 31 December 2005 there was substantial offshore activity by Australian LPTs. Some of this is detailed below.

Centro Properties Group	▪ US$1.24 billion Kramont acquisition	
MACQUARIE COUNTRYWIDE TRUST	▪ US$2.68 billion First Washington acquisition	
MACQUARIE DEVELOPERS DIVERSIFIED REALTY	▪ US$319.1 million Mervyns acquisition ▪ US$444.9 million acquisition of 13 US shopping centres	
MACQUARIE OFFICE TRUST	▪ US$892 million acquisition as part of Maguire JV	
galileo SHOPPING AMERICA TRUST	▪ US$968 million New Plan Excel acquisition	
JAMES FIELDING FUNDS MANAGEMENT US INDUSTRIAL TRUST	▪ IPO to partially fund US$392.7 million US industrial portfolio	
Macquarie Goodman	▪ A$585 million acquisition of 3 Hong Kong properties	

BABCOCK & BROWN JAPAN PROPERTY TRUST	■ IPO to partially fund ¥47 billion Japanese portfolio
ING REAL ESTATE ING INDUSTRIAL FUND	■ A$155 million acquisition of 4 German industrial properties
ING REAL ESTATE ING OFFICE FUND	■ US$128 million acquisition of 2 US office buildings
ING REAL ESTATE ING COMMUNITY LIVING FUND	■ Acquisition of a 49% interest in US$232m portfolio of six seniors accommodation assets
APN European Retail Trust	■ IPO to partially fund €228 million Spanish and Italian retail portfolio
APN UKA European Retail Trust	■ €156.8 million acquisition of retail assets in Germany and Greece
Macquarie Goodman	■ A$379 million acquisition of UK based property services and investment manager Arlington Securities

Australian LPTs now compete daily around the world with overseas competitors for the acquisition of foreign real estate investments.

Export income

Less than 10 years ago Australian LPTs earned virtually no foreign income. In 2005 Australian LPTs distributed earnings of approximately $6.2 billion of which around $2.2 billion was foreign income. This is separate from the overseas fee income earned by LPT managers.

Australian LPT income earnings are expected to grow approximately 4%-5% every year over the next 5 years. With approximately 67% of new capital raisings dedicated to foreign asset expansion, a greater proportion of total LPT earnings will be foreign sourced.

Where the LPT derives income from a foreign country, that income is only subject to tax at the reduced withholding tax rate of the country. Accordingly, there is a greater amount subject to Australian tax.

As the LPT distributes all of its income, including all the foreign income, this is included in the taxable income of Australian investors.

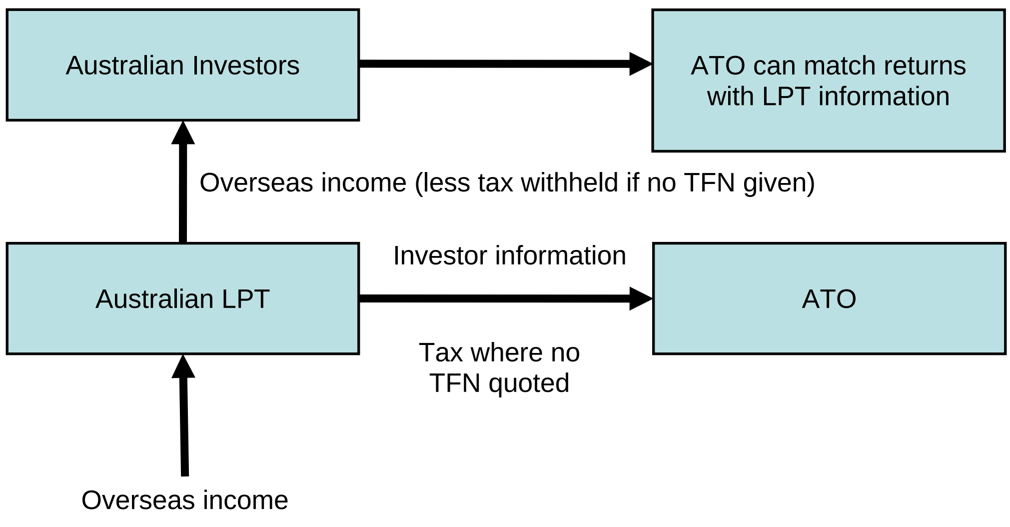
Significance of investing overseas through an Australian LPT

The expansion overseas by Australian LPTs represents an export of capital, and of Australian expertise. Such expansion is different from a portfolio investment in overseas equities. The LPT has a real presence in the foreign country and is the direct owner of illiquid real estate in that country requiring active management.

Investing overseas has greatly strengthened Australian LPTs and Australian management, so that they now compete with the best in the world.

Investment by Australians through an Australian LPT, which in turn invests overseas, makes Australian tax compliance substantially easier as the foreign investment is not undertaken directly by thousands of separate taxpayers, but by one large listed Australian vehicle. This results in higher tax compliance as all investors are collected together making monitoring and compliance simpler.

The following diagram illustrates the position.



If the LPTs had remained in Australia and investors had directly invested in foreign REITs it is questionable to what extent the foreign income distributed to Australian investors would have been taxed in Australia. The LPT acts as the collection point for the tax, either by deduction or recording the TFN of investors.

Australian headquarters

With the stability of Australia and its advanced legal system, both in fund raising and continuing disclosure obligations, foreign investors have shown no concern with Australian LPTs retaining their headquarters or being listed in Australia. These investors are more concerned with the spread and quality of assets, borrowing and asset management skills.

What becomes an issue is if the domestic tax system of the entity concerned becomes internationally uncompetitive, complex or uncertain (whether in regard to the withholding tax rate on prescribed income or the necessity to lodge a domestic tax return to obtain a refund of any tax retained).

5. Foreign investment in Australian Listed Property Trusts

Growth of foreign investment in Australian LPTs

5 years ago foreign investors held less than 5% of Australian LPTs.

Today this has risen to about 15% - and now represents in excess of $11 billion in market value.

The following is a chart estimating the foreign investment in particular Australian LPTs.

0-5%	5-10%	10-15%	15-20%	20-30%	>30%
Bunnings Warehouse Property Trust	Galileo Shopping America Trust	Commonwealth Property Office Fund	Centro Properties Group	CFS Gandel Retail Trust	Babcock and Brown
Macquarie Office Trust	ING Industrial Fund	Macquarie Prologis Trust	DBRREEF Trust	Multiplex Group	Japan Property Trust
Tishman Speyer Office Fund	ING Office Fund	Stockland	GPT Group		
Valad Property Group	Macquarie Countrywide Trust		Investa Property Group		
	Macquarie DDR Trust		Mirvac Group		
			Westfield Group		

Source UBS Investment Research Estimates

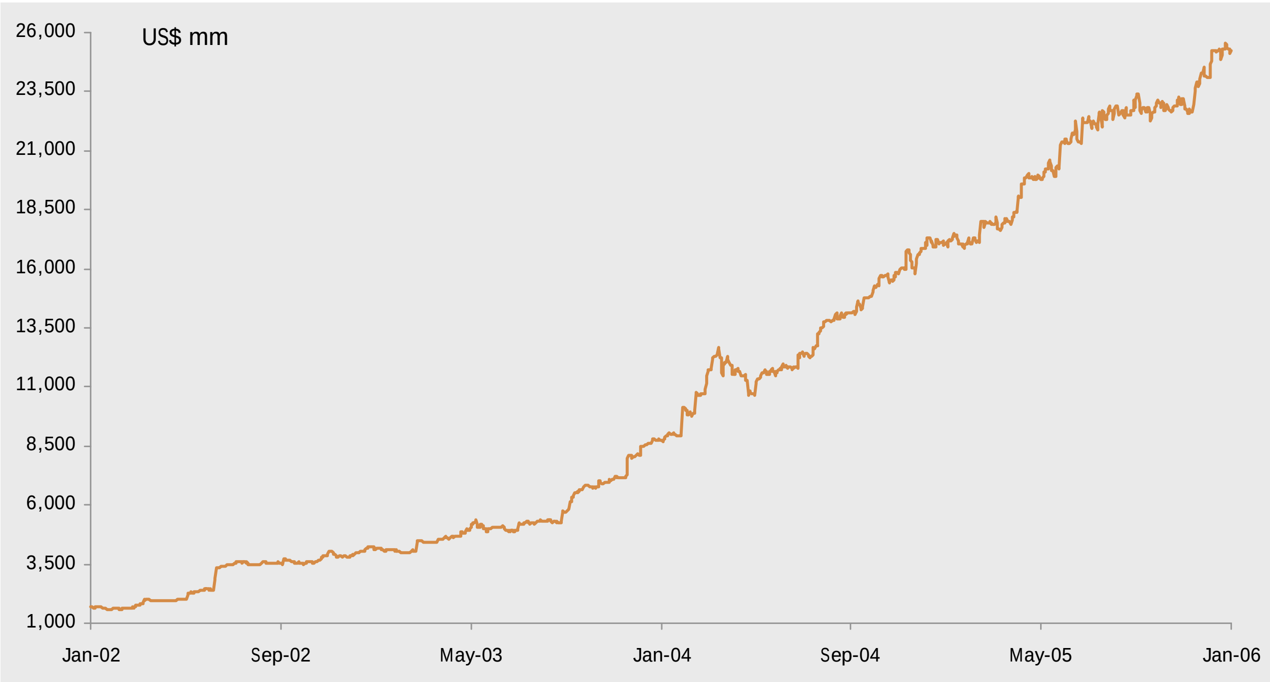
Foreign investors are likely to show growing interest in investing in Australian LPTs as their profile in the world increases with overseas expansion.

6. Australia as the regional headquarters for LPTs and REITs

At present Australia is the regional leader for LPTs. The issue is whether it can maintain this position with the growth of REITs in Japan, Singapore and now Hong Kong.

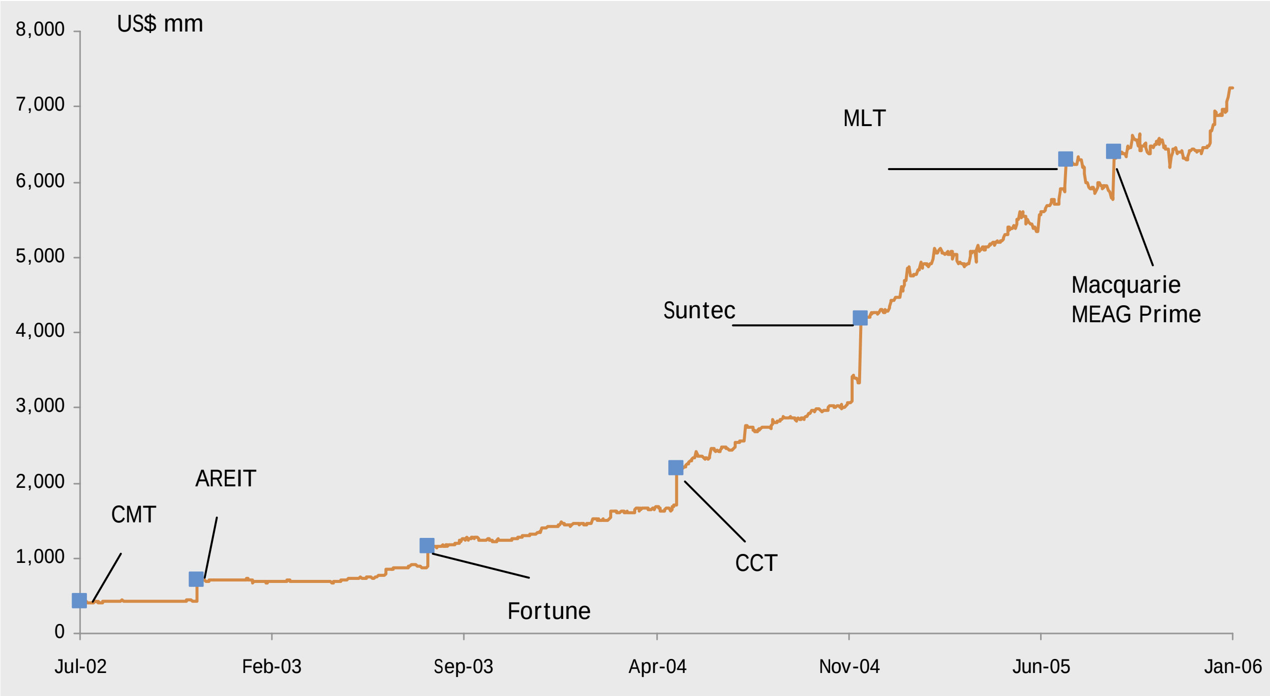
Over the last 5 years the Australian LPT model, together with that of the REIT, has been used by Australian LPTs and their Australian advisors as a basis for the developing the necessary regulatory and financial systems, and real estate investment vehicles, in Asia - including Japan, Singapore, South Korea and Hong Kong.

Growth in Japan REIT Market



Source: Bloomberg

Growth in Singapore REIT Market



Source: Bloomberg

The most notable example of an Australian LPT active in Asia has been the Macquarie Goodman Group which owns a 40% stake in Ascendas-MGM Funds Management Limited which listed the A-REIT in October 2002, the first Singapore REIT.

Other Australian groups which are currently active in Asia include Macquarie Bank and Babcock & Brown. Macquarie Bank listed the MEAG-Prime REIT in Singapore and are understood to have a large team based in Asia actively seeking opportunities in the Asian REIT market. Babcock & Brown have property specialists based in Japan to source property deals and this resulted in the listing in Australia of the Babcock & Brown Japan Property Trust - an Australian LPT investing purely in Japanese property.

Investments banks such as JPMorgan and UBS Warburg have large real estate teams in Australia and also have a strong presence in Asia. The JPMorgan team have advised on 23 property deals in the Asian REIT market over the past 2 years and most recently on 2 of the 3 Hong Kong REIT listings.

UBS Investment Bank has advised on 10 REIT equity raisings in Asia and Japan over the same period with an aggregate value of US$4.8 billion, including the US$2.8 billion IPO of the HK listed Link REIT, the larges REIT IPO in the world.

7. Listed REITs in the world

Listed REITs (including LPTs) exist in the following countries:

- Australia
- Belgium
- France
- Hong Kong
- Japan
- Malaysia
- Netherlands
- Singapore
- South Korea
- Taiwan
- United States

Set out in Appendix C are the names of each listed REIT. The following countries are expected to introduce a REIT regulatory system in 2006.

- Israel
- UK
- Germany
- Pakistan
- India

8. Australian withholding tax

Introduction

A non-Australian resident is generally only taxed in Australia on income sourced there.

Where the income is derived, directly or indirectly, from sources in Australia (including deemed sources) tax is generally imposed at non-resident tax rates and is collected by assessment and collection procedures.

Australia has a specific withholding and collection tax system in respect of payments to non-Australian residents, which includes withholding tax on dividends, interest and royalties at fixed rates, as well as provisions for amounts to be retained an account of tax which might be payable on other income.

It is the nature of foreign portfolio investment - whether Australian into a foreign country or a non-resident into Australia - that in practice the foreign investor does not generally lodge a tax return in the place of investment, eg a portfolio Australian investor in a US REIT will not usually lodge a US tax return. The practical effect is that if the amount retained from a distribution is greater than the tax actually payable, the foreign investor will frequently treat it as the final tax. If the amount is too high the investor will decide whether to invest elsewhere.

Accordingly, in considering the withholding tax position in Australia it is necessary to not merely examine the withholding tax rates – but also the amounts required under the tax collection system to be retained and only refunded if, and when, the non-resident lodges an Australian tax return.

Liability to tax of non-residents

The following summarises the general liability to tax in respect of distributions paid by LPTs to non-Australian residents:

- Withholding tax is imposed on unfranked dividends, interest and royalties paid by an Australian resident to a non-resident. This tax is payable at the prescribed fixed rates on the gross amount.

  Dividends and royalties are subject to a final withholding tax of 30% on the gross amount and interest 10%. This is subject to the double tax treaties entered into by Australia which typically reduce the maximum rate eg the maximum rate of tax under most double tax treaties on dividends is 15% - whilst interest and royalties the maximum rate is 10%.

The withholding tax provisions impose an obligation on the Australian resident who makes the payment to the non-resident. For example, if BHP paid an unfranked dividend to an Australian LPT, BHP would not withhold any tax because it makes payment to an Australian resident. If the LPT in turn made payment of the dividend to a non-resident investor it would be required to withhold tax on the dividend. But, if the LPT made payment to an Australian custodian for a non-resident investor no withholding tax would be payable by the LPT - but it may be payable by the Australian custodian if it makes payment of the dividend to the non-resident.

- Australian sourced income other than interest, dividends and royalties paid by an Australian resident to a non-resident is, subject to any applicable double tax treaty, generally taxed in Australia at non-resident tax rates. A non-resident investor is only subject to tax on a capital gain made by the LPT which is sourced in Australia if the asset concerned had the necessary connection with Australia.

  The non-resident tax rate for a non-resident company is 30% and for non-resident individuals is 29% on the first $21,600 of taxable income and thereafter the rate progressively increases to a maximum of 47%. A non-resident individual may obtain the benefit of the 50% capital gains discount rate on capital gains.

  Foreign superannuation funds, which are not companies, are generally taxed at the flat rate of 47%, any may obtain the benefit of the capital gains tax discount on capital gains.

Withholding amounts on account of tax

Australia has a number of overlapping and inconsistent systems designed to require Australian entities to deduct amounts from payments to non-Australian residents which are not subject to the specific withholding tax rates, and pay amounts deducted to the ATO. The amounts are only refunded if, and when, the non-resident lodges a tax return with the ATO. The amounts retained may not necessarily bear any relationship to the final tax payable by the non-Australian resident. For example, under the Tax File Number system, tax is required to be withheld at 48.5% - even though no tax is payable.

The following summarises the provisions:

- **Sub-section 98(3) and 98(4) of 1936 Tax Act**

  Under ss98(3) and 98(4) of the 1936 Tax Act, an Australian LPT is subject to tax on a non-resident's share of the trust income (which the LPT deducts from the distribution). These provisions do not apply if the non-resident is a trustee - in which case the LPT is not subject to the tax.

  Where the LPT is subject to tax under those provisions, it is assessed at 30% for non-resident company investors and at the non-resident tax rates for non-resident individuals.

  Unlike the TFN system the amount to be deducted relates to the share of the net income of the trust attributable to the period the investor was a non-Australian resident and attributable to sources in Australia. Under the TFN system, however, the amount to be withheld is regarded by the ATO as the percentage of the gross payment (including amounts not assessable to the non-residents – see ATO Taxation Determinations TD 93/87 and TD 93/88), whereas under ss98(3) and 98(4) the LPT is only taxed on the non-residents' assessable share of the net income of the LPT which has a source in Australia.

  The tax paid by the LPT under s98(3) and (4) is a credit against any ultimate tax liability of the non-Australian resident.

  Where too much tax has been paid by the LPT the non-resident investor needs to lodge a tax return with the ATO and seek a tax refund.

- **Tax file number system**

  Australia has a tax file number system for payments to resident investors to facilitate the collection of ordinary tax from them. In its terms the provisions also apply to non-residents, but there is uncertainty and dispute on its application to non-residents and as to how that system applies to s98(3) and (4). The ATO view on the meaning of the TFN system is not workable and the ATO has to find an extra legislative position. It is unclear how this system relates to ss98(3) and 98(4). In practice, where those subsections apply the TFN provisions are not applied. The system does not apply to dividends, royalties and interest.

  If the TFN system applies, then unless a TFN is quoted in respect of a non-resident investor, the payer, usually the company or trust in which the investment is made, is required to deduct from the payment 48.5% of the gross payment and pay that amount to the ATO. It is then for the investor to file an Australian tax return and obtain any refund.

The typical foreign institutional investor in an Australian LPT is a foreign superannuation or pension fund. Not only is it uncompetitive for Australia to impose tax at 47% on the fund, but not in accordance with international practice to retain 48.5% from taxable and non-taxable distributions or leave it to the fund to lodge a tax return to obtain a refund.

- **Agents and Trustees**

  Agents and trustees who hold money on behalf of a non-resident investor are in defined circumstances made personally liable for the tax payable by the investor and are required to retain sufficient funds to pay the tax; s254 and s255 of the 1936 Tax Act.

- **Prescribed payments**

  In addition to the above, there are PAYG regulations for withholding amounts from particular payments made to a non-Australian resident. At present these are:

  - For promoting or organising casino gaming junkets arrangements – 3% to be withheld.
  - For entertainment or sports activities – foreign tax rates to be withheld.
  - For construction of buildings – 5% to be withheld.

  This withholding is not a final tax but a credit against any ultimate tax liability of the non-Australian resident.

Australia's double tax treaties

None of the double tax treaties entered into by Australia make provision for distributions by Australian LPTs or other property trusts. Only dividends, interest and royalties which may form part of an LPT distribution are provided for in the treaties.

Set out in Appendix D are the double tax treaties entered into by Australia.

Custodians

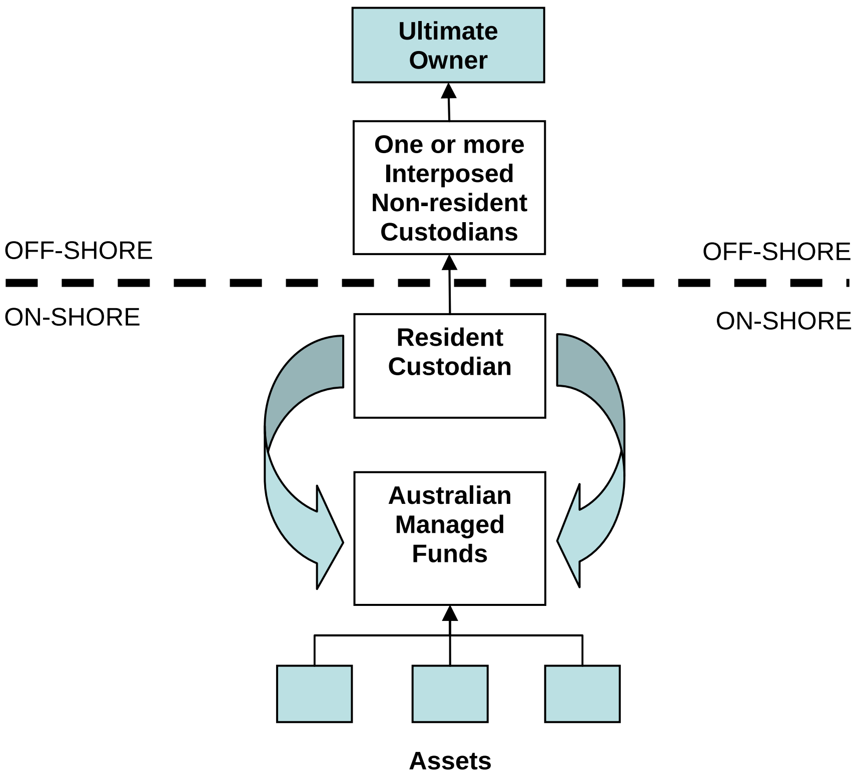
In considering Australia's withholding tax and collection tax systems, regard needs to be had to the special role of custodians.

Financial markets around the world cannot function without custodians and as a result securities in listed entities are increasingly being held by custodians. It is estimated that global custodians hold over US$80 trillion in investments on behalf of clients.

Most foreign investment in Australian LPTs is held by Australian resident custodians, who in turn hold for foreign custodians.

The practice is for foreign investors to use custodians in their domestic location, eg a US pension fund would use a US custodian to hold its domestic investments and where investments are made overseas, eg in the Westfield Group, the foreign custodian subcontracts the holding to an Australian custodian and the investment is registered in the name of an Australian custodian - eg Westpac Custodians Ltd on behalf of the US custodian. Frequently the local custodian, eg Westpac Custodians, will not know the identity of the ultimate foreign investor. Verification of the investors' identity is a matter for the foreign custodian. The above is a simple example. In practice there can be tiers of custodians between the Australian custodian and the ultimate foreign investor.

Set out below is a fund flow chart where an Australian custodian holds units in an Australian LPT for a non-resident custodian.



There are no special provisions in Australia's tax system for custodians who hold investments in Australian LPTs or other Australian entities on behalf of foreign clients.

The tax status of a custodian has perplexed the ATO and tax practitioners for many years. Everyone recognises what they are – but characterising them as a trustee, bare trustee, agent or nominee is difficult. They frequently have some of the characteristics of each.

The Macquarie Dictionary comes closest to the essence of the status with its definition "as a person who has custody".

The actual status may vary from custodian to custodian. In the case of a licensed custodian company, the relationship to its client is essentially one of contract under which the custodian has the safe keeping of the investment concerned. Such a custodian does not have the normal powers of a trustee and commercially is viewed as a nomine or agent of its client. The custodian receives a fee from the client for acting as custodian – which is returned as assessable income. It does not file a trust tax return with the ATO on behalf of its clients.

The non-residents may be other custodians or the ultimate owner (which may be for example – an individual, company, superannuation or pension fund, charity, government agency, partnership or trust). Where the client of the resident custodian is a non-resident custodian the resident custodian would not normally know the identity of the ultimate owner, who may be an individual, company, superannuation or pension fund, charity government, agency, partnership or trust.

A distribution by an LPT which is passed through to a non-resident might have a number of components in addition to interest, dividends and royalties, eg rent, capital repayments, capital gains, FIF/CFC amounts, foreign exchange gains and tax deferred amounts. These may be sub-classified into foreign and Australian source income.

The following summarises the general withholding tax and collection obligations of custodians in respect of LPT distributions received by them and paid onto their non-resident clients.

Non-resident withholding tax on interest and unfranked dividends

Resident custodians withhold tax from components of trust distributions identified as interest or unfranked dividends. These rules are relatively straight-forward. For each dividend or interest payment, the non-resident custodians generally have segregated accounts with different tax designations and the rate is applied automatically against the recorded data holding.

Section 255

Section 255 of the 1936 Tax Act applies to every person having the receipt, control or disposal of money belonging to a non-resident, who derives income or profit or gains of a capital nature from a source in Australia or who is a shareholder, debenture holder or depositor in a company deriving income, profits or gains of a capital nature from a source in Australia.

The section applies to custodians who are acting on behalf of non-residents – whether the non-resident is a non-resident custodian or is the ultimate owner.

The custodian is required to withhold tax due and payable by the non-resident client as and when required by notice from the ATO.

Division 6 of Part III of the 1936 Tax Act

Division 6 of Part III of the 1936 Tax Act applies to the trustee of a trust estate. Accordingly, the Division applies to a custodian if it is characterised as the trustee of a trust estate. If it is characterised as an agent or nominee it does not apply. There is a dispute as to which characterisation is correct.

If the Division applies, the relevant provisions for non-resident clients are contained in ss98(3) and 98(4). In the case of a direct holding for the ultimate owner, these subsections apply.

In the case of holding by a resident custodian for a non-resident custodian, neither s98(3) nor s98(4) apply as the non-resident custodian is, on the assumption being made, the trustee of a trust estate.

Tax File Number System

Division 4 of Part VA of the 1936 Tax Act is concerned with the quotation of Tax File Numbers (TFN) in connection with certain investments. Those investments include the typical investments held by licensed custodian companies – units in a unit trust and shares in a public company.

Where the Division applies the investor is required to quote its TFN to the unit trust or public company concerned. If this is not done, then by virtue of s12-140 of Schedule 1 to the Taxation Administration Act 1953, the investment body must withhold at the rate of 48.5% from any payment it makes to the investor in respect of the investment where all or some of the payment is ordinary income or statutory income of the investor.

In the typical LPT investment the resident custodian will have quoted its TFN to the listed property trust and the listed property trust will not have withheld anything from the distribution made to the resident custodian. Then where the custodian is holding directly for a non-resident ultimate owner, no amount would in practice generally be withheld from the distribution under s12-140 as the ATO has indicated on a number of occasions that Division 6 should be applied instead.

Where, however, the custodian is holding for a non-resident custodian, it will not normally know whether the ultimate owner is an individual, company, superannuation or pension fund, charity, government, partnership or trust. It will also not know whether the ultimate owner lodges an income tax return in Australia. The resident custodian, however, knows that the unit trust distribution is not ordinary income or statutory income of the non-resident custodian – the income is that of the ultimate owner. Accordingly, tax is not withheld.

Further, the distribution received by the custodian from a listed property trust frequently includes dividend, interest or royalties. Section 202EE of the 1936 Tax Act deems a non-resident to have quoted a TFN where an investment body pays an amount to the non-resident by way of income derived from the investment - where the investment body is required to make a deduction under s221YL of the 1936 Tax Act or under subdivision 12-F in Schedule 1 to Taxation Administration Act 1953 from the payment or the investment body would have been required to make such a deduction or withhold such amount, but for the operation of paragraphs 128B(3)(a), (b) or (g) or subparagraph 128B(3)(h)(ii).

The Tax File Number system has uncertain application to distributions to non-residents and should be confined to residents. There should be a specific withholding tax system for payments to non-residents, whether paid by a LPT or custodian.

Difficulties custodians have in meeting withholding tax obligations

The LPT, eg Westfield, will automatically deduct from any distribution the amounts of tax required to be withheld. For example, if a unitholder has not quoted its TFN, Westfield will deduct the amount of tax prescribed by law.

The LPT will often only see a corporate or individual name on the unitholder register and not know whether the investor is investing as a trustee or otherwise. It is a reasonable assumption that less than 10% of foreign investors hold their investment directly in their name. At least 90% hold through Australian custodians.

Licensed custodian companies, however, are simply conduits for their non-resident clients. Where they hold directly for the ultimate owner they know in advance the identity and generally can calculate the tax to be deducted.

Where, however, the resident custodian holds for a non-resident custodian it usually does not know the ultimate owner – except that the entity to which it is making the payment is not beneficially entitled to the distribution. Accordingly, it can only deduct tax on the basis of what it knows.

In addition a resident custodian needs to know in advance what is required to be deducted from any distribution it makes to its non-resident client because under the Australian system the different components of a LPT distribution are taxed at different rates. This is made more difficult with interim distributions where the components may be capable of estimation by the LPT but not the custodian, and may well change once the financial results are known for the year.

A custodian is subject to strict obligations in relation to accounting and reporting to its clients. This means that amounts must be received and accounted for within 24 hours, which requires a high degree of automation. Uncertain withholding rules and the need for adjustments makes for manual work, and extra costs that cannot be recovered from clients. In addition, adjustments cause significant problems when (as will always be the case) the ultimate owners have changed. In that situation, while there may be a single adjustment between the resident and non-resident custodians, the non-resident custodian has to reconcile the adjustment against past client records, and settle the adjusted amount against clients who may have since sold out or altered their holdings.

Estimates of taxable component

The Government has announced that LPTs will be required to withhold tax at 30% on the rent component of unit trust distributions to non-residents (Appendix B).

This will increase the difficulties facing LPTs on interim distributions – as well as custodians. LPTs will not normally know what portion of its annual income will be represented by rent until year end. Accordingly, there is a difficulty in characterising the exact proportion of an interim distribution as rent.

Reform needs to have regard to custodians

Any reform of the withholding tax and collection system for non-residents needs to address the position of custodians who hold more than 90% of foreign investment on behalf of non-residents.

Less than 10% of foreign investment is registered in the name of the foreign investor as unitholder in the LPT.

Distributions from LPTs

Distributions from LPTs are generally treated like any other distribution from a trust. Importantly, the distribution in the hands of the investor retains the character of the income derived by the LPT, eg interest derived by the LPT which is paid as part of a distribution to the investor - is treated as interest in the hands of the investor. Likewise in relation to source, the source at the trust level is treated as the same source at the investor level, eg rent derived by the trust from a shopping centre in New York is treated at both the LPT level and the investor level as having a source in the US.

Summary

In the following summary each amount distributed by an LPT to an investor is for tax purposes characterised in the hands of the investor into its component parts as allocated by the LPT, eg interest and source. There is no legislative provision that the allocation by the LPT is binding on the ATO, but, absent an allocation without reasonable basis, it is in practice accepted as final. Where too much has been retained by the LPT from a payment to the foreign investor, the investor must lodge a tax return with the ATO and seek a refund.

The summary is concerned with the position of the LPT making a distribution to a non-resident and not that of an Australian custodian who may hold the investment to which the distribution relates for a non-resident.

The Government has announced (Appendix B) that the withholding tax on Australian sourced rental distributions from property trusts to non-Australian investors will be limited to a uniform 30% - regardless whether the non-resident investor is a corporation or not and that capital gains made by non-residents will be limited to gains from Australian real estate. As yet these announcements have not become law, and were not expressed to have effect from the date of the announcement. Accordingly, the existing position is stated below:

- ## Interest, unfranked dividends and royalties

  - **Liability to tax**

    Interest, unfranked dividends and royalties paid by an Australian resident to non-Australian residents are subject to a final withholding tax of 10% for interest and 30% for unfranked dividends and royalties.

    The withholding tax is payable on the gross amount of interest, unfranked dividend or royalty included in a distribution from an LPT. The non-Australian investor is not entitled to seek to reduce the tax by claiming offsetting deductions.

    Where the non-Australian investor is resident in a country with which Australia has a double tax treaty, the rate may be reduced in the treaty (usually 10% for interest and royalties – 15% for unfranked dividends) provided the investor has no permanent establishment in Australia to which the interest, dividends or royalties are effectively connected.

  - **Amount retained from distribution**

    Regardless whether or not the non-resident investor has quoted an Australian tax file number the LPT is not obliged to retain any greater amount than the above. Any foreign source dividend paid by the Australian company paying the dividend to the LPT as a result of foreign conduit rules generally flows through the LPT to the non-resident investor and is not taxed nor is an amount withheld or retained.

- ## Franked dividends

  - **Liability to tax**

    Franked dividends (whether sourced in or outside of Australia) are not subject to any withholding tax.

  - **Amount retained from distribution**

    Regardless whether the non-resident investor has quoted an Australian tax file number a company that pays a franked dividend is not required to retain any amount from the payment.

However, where a non-Australian resident investor invests in an Australian LPT which receives and distributes a franked dividend from an Australian company, and that non-resident investor has not quoted an Australian tax file number, the Australian LPT is, according to the ATO, required to retain 48.5% of the dividend – even though it is not otherwise subject to tax. This means the non-resident investor must lodge an Australian income tax return to obtain a refund.

- **Foreign sourced income (other than dividends, interest and royalties)**

  - **Liability to tax**

    Ordinary income (other than dividends, interest and royalties), which has a non-Australian source at the trust level is not subject to Australian tax in the hands of the non-Australian resident investor.

  - **Amount retained from distribution**

    Where the non-resident investor has quoted an Australian tax file number the payer is not required to retain any amount from the payment.

    However, where the non-Australian resident investor has not quoted an Australian tax file number the payer (here the Australian LPT) is required according to the ATO to retain 48.5% of the gross distribution – even though the distribution may not be subject to tax. This means that the non-resident investor must lodge an Australian income tax return to obtain a refund. In practice the ATO does not actively apply the system to distributions of this character.

- **Australian sourced income (other than dividends, interest and royalties)**

  - **Liability to tax**

    Ordinary income (other than dividends, interest and royalties) which has an Australian source at the trust level is subject to tax in the hands of the non-Australian resident investor at the non-resident tax rates.

- **Amount retained from distribution**

  Where the non-resident investor has not quoted an Australian tax file number the ATO considers that the payer is required to retain 48.5% of the gross distribution. For example, the ATO is of the view that tax is required to be withheld from tax deferred amounts, even though such amounts are not subject to tax. This means that the non-resident investor must lodge an Australian income tax return to obtain a refund.

  In practice if the LPT has retained tax under s98(3) and (4) of the 1936 Tax Act the ATO does not seek to apply the TFN system. The non-resident investor must still file an Australian tax return to obtain a refund where these sections apply to obtain any tax refund.

- **Foreign sourced capital gains on the disposal by LPT of an asset which has no necessary connection with Australia**

  - **Liability to tax**

    A capital gain on the disposal by the LPT of an asset which has no necessary connection with Australia is not subject to Australian tax (withholding or otherwise) in the hands of the non-Australian resident investor.

  - **Amount retained from distribution**

    Where the non-Australian resident investor has not quoted an Australian tax file number the ATO considers that the payer is required to retain 48.5% of the distribution – although the distribution may not be subject to tax. This means that the non-resident investor must lodge an Australian income tax return to obtain a refund. In practice the ATO does not actively apply the TFN system to such payments.

- **Australian sourced capital gains on the disposal by LPT of an asset which has a necessary connection with Australia**

    - **Liability to tax**

      A capital gain on the disposal by the LPT of an asset which has a necessary connection with Australia is subject to Australian tax in the hands of the non-Australian resident investor at the foreign tax rates.

    - **Amount retained from distribution**

      Where the non-Australian resident investor has not quoted an Australian tax file number the ATO considers that the payer is required to retain 48.5% of the gross distribution. This means that the non-resident investor must lodge an Australian income tax return to obtain a refund.

      In practice if the LPT has retained tax under s98(3) and (4) of the 1936 Tax Act it is not made subject to the TFN system. The non-resident investor must still file an Australian tax return to obtain a refund.

- **Return of capital**

    - **Liability to tax and tax rates**

      A return of capital or corpus is not subject to tax in Australia except tax may be payable if the tax cost base of the asset is exceeded, and the non-resident holds more than 10% of the LPT.

    - **Amount retained from distribution**

      Where the non-resident investor has not quoted an Australian tax file number the ATO considers that the LPT is required to retain 48.5% of the gross distribution – even though the distribution may not be subject to tax. This means that the non-resident investor must lodge an Australian income tax return to obtain a refund.

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9. US withholding tax

Introduction

A US-REIT is required to distribute at least 90% of its taxable income as dividends and is entitled to claim a tax deduction against its taxable income for dividends distributed. As a consequence most US-REIT income is taxed at the shareholder level – and not at the REIT level.

A US-REIT may however pay tax, for example if it distributes 90%, and retains 10%. Then the REIT pays tax on the 10% at the normal US corporate income tax rate. Further, where a REIT has a taxable REIT subsidiary providing services related to the real estate investments the subsidiary is subject to normal US corporate income tax.

Dividend distributions by a US-REIT are classified into ordinary income, capital gains or return of capital, each of which may be taxed at the shareholder level at a different rate.

US withholding tax is imposed on distributions made by REITs to non US shareholders at a 30% rate on ordinary income dividends (being dividends sourced out of ordinary income), subject to reduction under double tax treaties. The rate is increased to 35% on distributions from capital gains. Distributions comprising a return of capital are generally subject to withholding tax unless the REIT is publicly traded and the recipient owns 5% or less of the stock of the REIT. From 1 January 2005 distributions of capital gains are treated as ordinary income if the REIT is publicly traded and the investor holds not more than 5% of the REIT.

The withholding tax rate of 30% on ordinary dividends is reduced to 15% under most double tax treaties entered into by the US. The withholding tax rate of 35% on capital gains is not reduced under any tax treaty.

Under the September 2001 protocol amending the double tax treaty entered into between Australia and the US, the US reduced the 30% withholding tax rate to 15% for investments held by Australian Listed Property Trusts in US-REITs and where not more than 10% of a US-REIT is held by an Australian investor. There is no reciprocal relief given by Australia to US investors who invest in Australian Listed Property Trusts.

Foreign shareholders

A non-US shareholder is subject to US withholding tax on distributions made by the REIT to the extent the distribution does not exceed earnings and profits of the US-REIT. The rate is 30% on the gross amount of distributions paid out of ordinary income (subject to reduction in double tax treaties), 35% on distributions paid out of capital gains (if the REIT is not publicly traded or the investor holds more than 5% of the REIT), and generally 10% on return of capital distributions (0% if it is US controlled or publicly traded and the foreign shareholder owns 5% or less of the REIT).

If the amount of tax withheld by a US-REIT with respect to return of capital distributions exceeds the actual tax due the investor can apply for a tax refund.

The US withholding tax is a flat tax and a non-US shareholder is not entitled to claim expenses as a deduction.

The withholding tax on ordinary income dividends is usually reduced to 15% under most double tax treaties entered into by the US. The withholding tax on capital gains distributions cannot be reduced under a treaty.

Prior to 1989 the tax treaties entered into by the US treated distributions by US-REITs like any other distribution for a US corporate and generally reduced the maximum withholding tax rates to between 0% and 15%.

In the late 1980s the US Treasury Department changed its treaty negotiating position and adopted a policy of excluding REITs from the reduced withholding tax rate provisions applicable to corporate dividend distributions. The first treaty to reflect this new policy was that with Germany in August 1989.

This policy was subsequently varied, such that portfolio investments in publicly traded REITs, whether by individuals or international investors would be afforded modified treaty benefits in appropriate circumstances.

The 1996 US Model Income Tax Convention reflects this policy and provides that distributions from a US-REIT do not qualify for the reduced withholding tax rate of 15% - unless the distribution is beneficially owned by an individual holding less than 10% of the REIT.

In the technical explanation to the above provision the following is noted (at page 47):

"Similarly, a resident of the partner directly holding U.S. real property would pay U.S. tax either at a 30 percent rate on the gross income or at graduated rates on the net income. As in the preceding example, by placing the real property in a REIT, the investor could transform real estate income into dividend income, taxable at the rates provided in Article 10, significantly reducing the U.S. tax burden that otherwise would be imposed. To prevent this circumvention of U.S. rules applicable to real property, most REIT shareholders are subject to 30 percent tax at source. However, since a relatively small individual investor who might be subject to a U.S. tax of 15 percent of the net income even if he earned the real estate income directly, individuals who hold les than a 10 percent interest in the REIT remain taxable at source at a 15 percent rate."

As a result of recent legislative amendments a non-US investor will not be subject to the 35% Foreign Investment in Real Property Tax Act (FIRPTA) on capital gains or on capital gains dividends if the shareholder does not own more than 5% of the class of publicly traded stock on which the gain related.

Double tax treaties entered into by US

The following table published by NAREIT (the National Association of Real Estate Investment Trusts) shows the US withholding tax rates on ordinary distributions made by US-REITs as at August 2005:

US Withholding Tax Rates on Ordinary REIT Dividends to Non-US Investors

As of 1 August 2005

US Income & Capital Tax Treaties	Individual	Non-Individual Entity	Pension Trust	Tax-Exempt Charity	Governmental Entity (IRD §892)
Armenia	30%	30%	30%	30%	0%
Australia	15%[1]	15%[3]	15%[3]	15%[3]	0%
Austria	15%[1]	30%	30%	30%	0%
Azerbaijan	30%	30%	30%	30%	0%
Bangladesh[12]	30%	30%	30%	30%	0%
Barbados	15%[1]	30%	30%	30%	0%
Belarus	30%	30%	30%	30%	0%

US Income & Capital Tax Treaties	Individual	Non-Individual Entity	Pension Trust	Tax-Exempt Charity	Governmental Entity (IRD §892)
Belgium	15%	15%[2]	15%[2]	15%[2]	0%
Canada	15%[1]	30%	0%[4]	0%[4]	0%
People's Rep. of China	10%	10%	10%	10%	0%
Cyprus	15%	15%[2]	15%[2]	15%[2]	0%
Czech Republic	15%[1]	30%	30%	30%	0%
Denmark	15%	15%[3]	15%[3]	15%[3]	0%
Egypt	15%	15%[2]	15%[2]	15%[2]	0%
Estonia	15%[1]	30%	30%	30%	0%
Finland	15%[1]	30%	30%	30%	0%
France	15%[1]	30%	30%	30%	0%
Georgia	30%	30%	30%	30%	0%
Germany	15%[1]	30%	30%	0%	0%
Greece	30%	30%	30%	30%	0%
Hungary	15%	15%[2]	15%[2]	15%[2]	0%
Iceland	15%	15%[2]	15%[2]	15%[2]	0%
India	15%[1]	30%	30%	30%	0%
Indonesia	15%	15%[5]	15%[5]	15%[5]	0%
Ireland	15%[1]	15%[3]	15%[3]	15%[3]	0%
Israel	25%[1]	30%	30%	30%	0%
Italy[11]	15%	15%[6&7]	15%[6&7]	15%[6&7]	0%
Jamaica	15%	15%[7]	15%[7]	15%[7]	0%
Japan	10%[1]	10%[3]	0%[4]	10%[3]	0%
Kazakhstan	30%	30%	30%	30%	0%
Republic of Korea	15%	15%[7]	15%[7]	15%[7]	0%
Kyrgyzstan	30%	30%	30%	30%	0%

US Income & Capital Tax Treaties	Individual	Non-Individual Entity	Pension Trust	Tax-Exempt Charity	Governmental Entity (IRD §892)
Latvia	15%[1]	30%	30%	30%	0%
Lithuania	15%[1]	30%	30%	30%	0%
Luxembourg	15%[1]	15%[3]	15%[3]	15%[3]	0%
Mexico[1]	10%[1]	10%[3]	0%[4]	0%	0%
Moldova	30%	30%	30%	30%	0%
Morocco	15%	15%[7]	15%[7]	15%[7]	0%
Netherlands	15%[8]	15%[3]	0%[4]	0%[4]	0%
New Zealand	15%	15%	15%	15%	0%
Norway	15%	15%	15%	15%	0%
Pakistan	30%	30%[9]	30%[9]	30%[9]	0%
Philippines	25%	25%[10]	25%[10]	25%[10]	0%
Poland	15%	15%[2]	15%[2]	15%[2]	0%
Portugal	15%[8]	30%	30%	30%	0%
Romania	10%	10%	10%	10%	0%
Russia	30%	30%	30%	30%	0%
Slovakia	15%[1]	30%	30%	30%	0%
Slovenia	15%[1]	15%[3]	15%[3]	15%[3]	0%
South Africa	15%[1]	30%	30%	30%	0%
Spain	15%[8]	30%	30%	30%	0%
Sri Lanka	15%[1]	15%[3]	15%[3]	15%[3]	0%
Sweden	15%[1]	30%	30%	30%	0%
Switzerland	15%[1]	30%	0%	30%	0%
Tajikistan	30%	30%	30%	30%	0%
Thailand	15%[8]	30%	30%	30%	0%
Trinidad and Tobago	25%	25%[7]	25%[7]	25%[7]	0%

US Income & Capital Tax Treaties	Individual	Non-Individual Entity	Pension Trust	Tax-Exempt Charity	Governmental Entity (IRD §892)
Tunisia	20%[8]	30%	30%	30%	0%
Turkey	20%[1]	30%	30%	30%	0%
Turkmenistan	30%	30%	30%	30%	0%
Ukraine	30%	30%	30%	30%	0%
United Kingdom	15%[1]	15%[3]	0%[4]	15%[3]	0%
Uzbekistan	30%	30%	30%	30%	0%

NOTE: The withholding rate is 30% (other than for a governmental entity) if the non-US shareholder does not reside in the countries listed. Under recently passed US tax legislation, the tax rates in the chart apply to REIT capital gain distributions so long as the non-US investor owns 5% or less of a REIT listed on a US stock exchange.

FOOTNOTES

1 30% tax rate if the shareholder owns 10% or more of the REIT's stock, or, in the case of residents in Australia, Ireland, Mexico, Japan, Slovenia, Sri Lanka, the UK, and Venezuela, if the shareholder owns more than 10% of the REIT's stock.

2 15% rate if corporate shareholder owns at least 10% of the REIT's voting stock and in the case of REIT dividends paid to a corporation resident in Cyprus, Egypt, or Iceland no more than 25% of the REIT's gross income consists of interest and dividends.

3 15% rate (10% rate in Japan) only if: the dividend is paid with respect to a class of stock that is publicly traded and the shareholder owns no more than 5% of any class of the paying REIT's stock; or the stockholder holds no more than 10% of the REIT's stock if the REIT's property portfolio is diversified, *i.e.* no property is worth more than 10% of the REIT's real estate holdings. Otherwise the withholding rate is 30%. For these purposes, a publicly traded Australian Property Trust is deemed owned by its investors.

4 Other than for Canada and the Netherlands, 0% if: (1) the dividend is paid with respect to a class of stock that is publicly traded and the shareholder owns no more than 5% of any class of the paying REIT's stock; or (2) the stockholder holds no more than 10% of the REIT's stock. In the case of Canada and the Netherlands, 0% only so long as the dividend is not from a related person.

5 10% tax rate if shareholder owns at least 25% of the REIT's voting stock.

6 5% tax rate if shareholder owns more than 50% of the REIT's shares for the 12 months before the dividend is declared.

7 10% if shareholder owns at least 10% of the REIT's voting stock (except in the case of Jamaica), and no more than 25% of the REIT's income consists of dividends and interest.

8 30% tax rate if shareholder owns 25% or more of the REIT's stock.

9 15% tax rate if shareholder owns more than 50% of the REIT's voting stock.

10 20% tax rate if shareholder owns at least 10% of the REIT's voting stock.

11 The US Senate has approved a new treaty that contains the same withholding rates as in footnote 3, but the Italian legislature has not ratified it yet.

12 Currently, there is no tax treaty between the US and Bangladesh. The US and Bangladeshi governments signed a tax treaty on September 26, 2004 that would adopt the REIT dividend policy described in footnote 3. The new treaty will go into effect upon the approval by 2/3 of the full US Senate and the formal exchange of instruments of ratifications by the two governments.

US - Australian double tax treaty

In the September 2001 protocol amending the double tax treaty with Australia, the US withholding tax rate on REIT distributions was reduced to 15% if one of the following applied:

- The person beneficially entitled to the dividends is an individual holding an interest of not more than 10 per cent in the REIT.
- The person beneficially entitled to the dividend is any person (whether an individual or not) holding an interest of not more than 5 per cent in a REIT which is publicly traded.
- The person beneficially entitled to the dividend is any person (whether an individual or not) holding an interest of not more than 10 per cent in a REIT where the gross value of a single interest in real property held by the REIT does not exceed 10 per cent of the gross value of the REITs total interest in real property.
- The dividend is paid by a REIT to a Australian Listed Property Trust. However, if the responsible entity for the Trust knows or has reason to know that one or more unitholders each owns 5 per cent or more of the beneficial interests in the Trust each of those unitholders is deemed to hold a proportionate interest in the REIT, and beneficially entitled to a proportion of the dividend, and the above provisions apply to that person. For this purpose dividends paid with respect to REIT shares held by such a Trust are treated as publicly traded.

In addition the rate is reduced to 15% if the person beneficially entitled to the dividend from the REIT is a Australian Listed Property Trust and the shares in respect of which the dividends are paid were owned by it on 26 March 2001, acquired by it pursuant to a binding contract entered into on or before 20 March 2001 or acquired by it pursuant to a reinvestment of dividends (ordinary or capital) with respect to such shares.

There is no reciprocal provision for investments in Australian Listed Property Trusts held by US-REITs.

US tax on sale of US-REIT shares

Any gain on the sale of US-REIT shares by a non-US investor is generally not subject to US tax unless the REIT is foreign controlled or the gain effectively connected to a trade or business in the US. If the REIT is foreign controlled no US tax is imposed where the investor has 5% or less of a publicly traded REIT.

Expansion of US-REITs outside of US

Like Australian LPTs, US-REITs are now investing out of the US.

For example, the Simon Property Group Inc which is America's largest owner, developer and manager of retail real estate, recently announced a joint venture agreement to develop a retail shopping centre project in China.

The venture's first project will be a 46,000 sq m (500,000 sq ft) mall in Hangzhou, a historic city of six million people located two hours from Shanghai. Construction is scheduled to commence in October with an expected completion date in spring 2007. More than 12 potential projects have been identified, and if the parties proceed with development those projects will comprise a total area of approximately 750,000 sq m (8,000,000 sq ft).

US-REITs

Set out in Appendix C are the US-REITs listed on the New York Stock Exchange.

10. Withholding tax in Asia & Europe

Withholding tax in Asia and Europe on REIT distributions

The following is a summary of the position as regards withholding tax imposed on distributions from REITs in Asia and Europe.

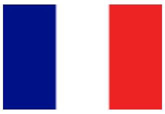
Belgium

Prescribed real estate income (including real estate capital gains) of a Belgium-REIT is not subject to Belgian tax where the relevant conditions are met.

Distributions by a Belgium-REIT to non-residents of Belgium are subject to a final withholding tax at a rate of 15%. This rate is reduced under the double tax treaties entered into by Belgium.

Qualified non-resident pension funds, eg Dutch pension funds, are not subject to any Belgian withholding tax.

Capital gains realised by non-residents of Belgium on the disposal of shares in a Belgium-REIT are not subject to Belgian tax.



France

Real estate income of a French-REIT (including real estate capital gains) is not subject to French tax where the relevant conditions are met.

Distributions by a French-REIT to non-residents of France are subject to a final withholding tax at the rate of 25%. This rate is generally reduced to 15% under the double tax treaties entered into by France.

Dutch pension funds, for example, who hold 10% or less of the French-REIT are subject to withholding tax of 15%.

Capital gains realised by non-residents of France on the disposal of shares in a French-REIT are subject to French tax only if the holder owns more than 25% of the REIT at any time during a five year period preceding the sale.

Hong Kong

If a Hong Kong-REIT holds its real estate directly it will be subject to Hong Kong property tax of 15%. If the REIT holds the real estate indirectly, via a special purpose vehicle, profits tax at the rate of 17.5% is payable at the REIT level.

Distributions by a Hong Kong-REIT are not subject to tax in Hong Kong, whether paid to residents or non-residents.

Capital gains realised by non-residents of Hong Kong on the disposal of shares in a Hong Kong REIT are not subject to Hong Kong tax.

Japan

A J-REIT is taxable in the same manner as other Japanese corporations - except that if certain conditions are met dividends paid are a deduction.

Dividends paid by a listed J-REIT to foreign shareholders are subject to a final withholding tax of 7%, regardless whether the investor is a corporation or an individual. Where a non-resident individual holds a non-portfolio investment in a listed J-REIT (holding greater than 5% of the issued equity) they may be subject to a higher withholding rate, which may be reduced by treaty.

Qualified non-resident pension funds, eg Dutch pension funds, are subject to Japanese withholding tax of 7% except under certain treaties they are exempt, eg treaty with US and UK.

Capital gains realised by non-residents of Japan on the disposal of shares in a J-REIT are not subject to tax if the shareholder owns less than 5%. If a foreign shareholder holds up to 25% of the shares in a J-REIT in the two year prior to a sale of those shares, they will not be subject to capital gains tax provided the shareholder does not sell more than 5% of the shares in the J-REIT in a single tax year.

Netherlands

The taxable income of a Dutch-REIT is subject to a rate of corporate income tax of zero percent (capital gains from real estate are exempt).

Distributions of ordinary dividends by a Dutch-REIT to non-residents of Netherlands are subject to a final withholding tax at a rate of 25%. This rate is generally reduced to 15% under the double tax treaties entered into by Netherlands.

Capital gains realised by non-residents of Netherlands on the disposal of shares in a Dutch-REIT are not subject to Netherlands tax if the shares represent less than 5% of the REIT.

Dutch-REITs are subject to serious international competition and the Dutch government is currently investigating the possibility of introducing an alternative structure with a more competitive structure. The present proposal involves no withholding tax being imposed on Dutch-REIT distributions.

Singapore

Listed Singapore-REITs are not taxed on income which is fully distributed to unitholders. Singapore does not impose tax on capital gains.

Distributions from Singapore-REITs to foreign investors (other than individuals) are subject to a withholding tax rate of 20% (which over the 5 years from 2005 is to be reduced to 10%). This is a final tax for non-residents who do not have a presence in Singapore to which the income can be attributed. Foreign investors who are individuals are not subject to withholding tax.

Non-resident pension funds are subject to the Singapore withholding tax.

Capital gains realised by non-residents of Singapore on the disposal of shares in a Singapore-REIT are not subject to Singapore tax.

South Korea

A South Korean CR-REIT is taxable in the same manner as other South Korean companies except that if certain conditions are met dividends paid by it are deductible. RETF's are not taxed at the RETF level.

Dividends paid by a K-REIT or RETF to foreign shareholders are subject to a final withholding tax of 27.5%. This rate is reduced by double tax treaties entered into by South Korea.

Qualified pension funds, eg Dutch pension funds, are subject to a 15% withholding tax under the double tax treaty with the Netherlands.

United Kingdom

Under the draft legislation introduced in December 2005 by the UK Government, a UK-REIT will be exempt from tax on real estate investment activities (including real estate gains).

Distributions made by a UK-REIT out of exempt real estate investment activities will be subject to a basic rate of withholding tax (presently 22%). It is assumed that this tax will be fully creditable to investors and UK pension funds that are exempt from UK tax.

Non-residents are to be subject to the same withholding tax. Accordingly, a non-resident should not be subject to any further UK tax and the withholding tax will, in effect, subject to any relevant double tax treaty operate as a final tax.

In regard to the approximately 175 double tax treaties entered into by the UK the distribution will be treated as a dividend, not as a rental income. Such dividends may be subject to withholding tax but the maximum treaty withholding tax rate would apply. In most cases this is 15% and accordingly the non-resident would be able to claim the excess withholding tax from the UK authorities.

In some cases the UK treaty reduces the withholding tax rate to 5% or 0% where the non-resident controls directly or indirectly 10% or more of the company concerned. To reduce tax leakage there is a provision in the draft UK legislation prohibiting shareholdings of 10% or more.

Capital gains realised by non-residents of UK on the disposal of shares in a UK-REIT will not be subject to UK tax.

Taxation of REITs

The withholding tax system of a country is necessary to be considered in the context of that country's tax treatment of the REIT and, in particular, whether tax is imposed at the REIT level. The following summarises the position.

Belgium

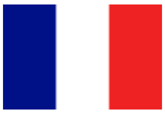
In 1995 Belgium established an investment structure specific to real estate investments - société d'investissement à capital fixe en immobillière, (Belgium-REIT).

A Belgium-REIT must be a limited liability company or a limited partnership and a Belgian resident. It must also be listed on the Brussels Stock Exchange.

A Belgium-REIT is required to distribute 80% of its net profits.

It is subject to standard corporate income tax, but excluded from taxable income is prescribed real estate income (including real estate capital gains). In consequence of the distribution requirement no or little tax is paid at the REIT level. Rather, tax is paid at the shareholder level.

Set out in Appendix C is a list of the Belgium-REITs listed on the Brussels Stock Exchange.



France

In 2003 France established a new regime for real estate investment companies - sociéte d'investissment immobiliers côtes, (French-REIT).

A French-REIT must be a corporation and be listed on a French Stock Exchange. There is no requirement that it be a French resident.

A French-REIT is required to distribute 85% of its profit resulting from the leasing of real estate.

It is exempt from corporate income tax on real estate income (including real estate capital gains) provided it makes the required level of distributions and meets the prescribed conditions. Income or gains derived from ancillary activities are subject to the standard corporate income tax rate.

Tax is imposed at the investor level on distributions made by the French-REIT.

Set out in Appendix C is a list of the French-REITs listed on the French Stock Exchange.

Germany

There is no investment structure comparable to a REIT in Germany. There are open-ended funds but they lack many of the key features of a REIT.

It is thought Germany will introduce a new tax system in 2006 for the establishment of REITs.

Hong Kong

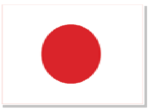
In 2003 Hong Kong introduced new legislation for the establishment of REITs in Hong Kong (Hong Kong-REITs). Under this legislation a Hong Kong-REIT must be structured as a unit trust and domiciled in Hong Kong. It also must be listed on the Hong Kong Stock Exchange.

A Hong Kong REIT must distribute to unitholders at least 90% of its audited annual net income after tax.

As dividend income is not subject to tax in Hong Kong the legislation provides for the REIT to pay tax at the 15% property tax rate or the 17.5% profits tax rate (depending whether properties are held by a special purpose company).

In November 2005 the Link-REIT was the first REIT listed on the Hong Kong Stock Exchange.

Set out in Appendix C is a list of the Hong Kong-REITs listed on the Hong Kong Stock Exchange.



Japan

In 2000 Japan made provision for the establishment of Japanese REITs, (J-REITs).

Under Japanese law J-REITs can be established either as an investment corporation or an investment trust. The first J-REITs were companies. It is not mandatory for the REIT to be listed.

A J-REIT must distribute at least 90% of its distributable income to investors each year.

Like a US REIT, distributions paid to investors are deductible provided certain conditions are met. In consequence of the distribution requirement, no or little tax is paid at the J-REIT level.

Set out in Appendix C is a list of the J-REITs listed on the Tokyo Stock Exchange.

Netherlands

In 1969 the Netherlands introduced the investment structure - fiscale beleggingsinstelling, (Dutch-REITs). It may be a company or fund and must be resident in the Netherlands. It need not be listed.

A Dutch-REIT must distribute each year to investors 100% of its taxable income.

It is taxed at a zero rate on its real property income. Capital gains from real estate are exempt from tax.

Dutch-REITs are amongst the largest institutional real estate investors in Europe but are subject to a number of onerous restrictions, eg maximum shareholdings. Currently discussions are taking place to relax these restrictions.

Set out in Appendix C is a list of the Dutch-REITs listed on the Amsterdam Stock Exchange.

Singapore

In 1999 Singapore issued a set of regulatory guidelines for property trusts (Singapore-REITs) and the first Singapore-REIT was listed in July 2002.

A Singapore-REIT may be a company or unit trust and must be listed on the Singapore Stock Exchange. The first Singapore-REITs listed were unit trusts, with tax imposed at the unitholder level.

A Singapore-REIT is required to distribute at least 90% of its taxable income. It is not taxed at the REIT level to the extent of distributions.

Singapore tax is imposed at the shareholder level.

Set out in Appendix C are the Singapore-REITs listed on the Singapore Stock Exchange.

South Korea

In 2001 South Korea enacted the Real Estate Company Act to provide for the establishment of Korean REITs (K-REITs). There are three different kinds of K-REITs – a General REIT, CR-REIT and a RETF. Only a General REIT must be listed on the Seoul Stock Exchange.

The requirement to distribute depends on the type of K-REIT. A General REIT is required to distribute 90% of its distributable income, a CR-REIT there is no requirement but in practice 90% or more is distributed and RETF is required to distribute 100%.

A K-REIT may be a trust or a company. Tax transparency only exists for a trust. Generally tax is imposed at the unitholder level and not at the K-REIT level.

Set out in Appendix C are the K-REITs listed on the Seoul Stock Exchange.

United Kingdom

The UK Government is committed to the establishment of UK-REITs and in December 2005 introduced draft legislation for this purpose.

The draft legislation provides for a UK-REIT to be a company and to be exempt from tax on its real estate investment activities (including real estate capital gains). Associated activities are taxed at normal tax rates at the REIT level.

A UK-REIT must be listed on the London Stock Exchange and distribute at least 95% of its net taxable profits from real estate investment activities.

The use of a corporate structure in the UK gives rise to difficulties with existing UK withholding taxes and double tax agreements for resident and non-UK resident shareholders. For the majority of tax treaties between the UK and other countries, the maximum corporate withholding tax rate is 15%, which is lower than the current treatment of property investment at 22%. In addition, some treaties reduce the withholding tax on dividends to less than 15%, accordingly to the proportion of shares held in the company.

The draft legislation provides that no shareholder can own more than 10% of the UK-REIT. This provision has been included to prevent tax leakage from overseas investors. Where an overseas investor has 10% or more of a UK company it may be able to benefit from substantially reduced or nil rates under double tax treaties entered into by the UK, or under EU parent/subsidiary directive.

The Government's discussion paper which preceded the introduction of the draft legislation, noted:

> "***4.7*** *The above factors make it difficult to design a UK-REIT structure that taxes non-UK residents investing indirectly in UK property in broadly the same way as if they were to invest directly. Putting in place a regime that complies with international obligations but fails to collect any UK tax from non-resident investors holding UK property (at either the vehicle or investor level) is likely to have a significant impact on the Exchequer and may lead to unintended and undesirable behavioural effects. Furthermore it reaches the UK's right to maintain a fair proportion of tax on UK land and property from all types of investor.*
>
> ***4.8*** *The Government is interested in industry's views and proposed solutions in relation to the taxation of non-UK resident investors within a UK-REIT regime that would enable the vehicle to be exempt from tax, while also meeting the objectives outlined in Chapter 1. These include closer alignment with the tax treatment of direct property investment and facilitating a more liquid market, with greater access to retail investors.*
>
> ***4.9*** *One alternative approach that the Government is open to considering is to retain taxation at the company level, but apply a reduced rate of 22% on income that falls within the ring-fenced activity of the UK-REIT. Distributions paid by the UK-REIT to individual investors could then be treated as ordinary dividends. This approach would still leave open the possibility of allowing any gains arising on the sale of ring-fenced investment properties to be exempt from tax at the vehicle level, although further consideration would be needed to decide whether such gains could be distributed to investors. Further consideration may also be needed in relation to other aspects of the fax treatment discussed earlier in this chapter, including the treatment of corporate investors.*"

The UK Government has not been proactive with its REIT legislation. Over the years there has been a substantial increase in the number of UK property trusts listed offshore. It is reported in the Wall Street Journal (January 12, 2005) that the UK offshore real estate market has grown to about \$20 billion, from about \$1 billion in 1998. As a result, the UK tax on the revenue from such has materially declined.

Capital gains realised by non-UK residents on the disposal of shares in a UK-REIT will not be subject to UK tax.

Appendix A

The Report by the Australian Board of Taxation

on international taxation arrangements - February 2003

General

In February 2003 the Australian Board of Taxation presented to the Treasurer a report on international taxation arrangements. The Board noted at page 9 of International Taxation: A Report to the Treasurer:

> *"Over the last 20 years, successive Australian Governments have implemented a series of significant economic reforms aimed at boosting competitiveness and productivity (for example, by largely eliminating tariffs and deregulating financial markets). Australian businesses have responded. This has led to Australia's increased integration into the global economy, as can be seen from the increasing significance of trade, investment and income flows between Australia and the rest of the world. The benefits can be seen in the strong lift in productivity and income growth over the past decade, and Australia's exceptional performance in times of economic turbulence."* and

> *"While the priority afforded to domestic taxation is understandable, the failure to deal with the international taxation rules has left distortions and impediments. Unless removed, they could inhibit Australian companies from competing on the world stage with a strong Australian base. This in turn will reduce the benefits which could flow to Australia through further integration into the global economy. Those benefits come through in the form of increased in Gross Domestic Product (GDP) (income to Australians from the home economy) and in Gross National Income (GNI) (income from all Australian operations and investments worldwide). Moreover, the competitive environment is not static. Other countries are moving to reduce similar impediments. The Board believes that it is now time for Australia to tackle these distortions and impediments."*

Withholding tax

The Board in chapter 4 of the report considered the promotion of Australia as a global financial services centre, including the role of Australian Listed Property Trusts.

The Board made the following comment on withholding tax at 4.45 and 4.48:

> *"4.45 The different treatment of resident funds compared to foreign funds has long been a source of concern for the Australian managed funds industry and the subject of submissions to government, mainly in relation to the impact on investments in*

Australian assets such as shares in Australian companies. Recently, for other good reasons, mutual funds and REITs in the US have been largely removed from attribution under the FIF regime. This can mean that Australian investors favour foreign funds for investment in foreign assets, compared to Australian funds investing in the same assets."

"4.48 Also, the ATO and the funds industry have been negotiating for many years to try to deal with the issues raised in withholding on Australian fund distributions. There is inconsistency in practice across the funds management industry in dealing with withholding issues."

and at 4.50:

"4.50 As funds in Australia are generally treated as conduits, many of the outcomes described above do not make any sense. They also favour foreign funds over Australian managed funds. The result is a clear disincentive to use Australia as a funds management base for foreign unitholders and foreign income. Lack of access to a standard international exemption from interest withholding tax for Australian-based trusts also produces a similar result. The result undermines the objective of promoting Australia as a global financial services centre."

Board recommendations

The Board recommended the following:

- That withholding tax on net rental income of Australian property trusts be set at a flat rate of 30%, subject to treaty reduction to 15% on a reciprocal basis (Recommendation 4.8A).

- That withholding tax for other income of widely held Australian unit trusts that are subject to Division 6 of the 1936 Tax Act be removed, except in relation to interest, dividends and royalties (Recommendation 4.8B).

In the commentary on these recommendations the Board stated at 4.62 to 4.65 the following:

"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 that 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.

4.64 Withholding on other types of Australian managed funds should also be removed, except for dividends, interest and royalties. This will reduce compliance complexities and give Australian managed funds equivalent treatment to many of their foreign counterparts. The widely-held debenture exemption should be extended to Australian managed funds, to remove the current discrimination between managed funds and companies and to give equivalent treatment to many overseas funds. Property trusts in particular are expected by the markets to borrow to partly fund their investments; but they are effectively limited to borrowing in Australia, because of the lack of the withholding tax exemption for widely issued debentures of companies.

4.65 These changes were strongly supported in a number of submissions. They were seen as necessary to align the treatment of Australian managed funds and foreign-managed funds."

Appendix B

The Australian Government's international reforms

In response to the report of the Board of Taxation into international taxation arrangements, the Australian Government announced in May 2003 major reforms to Australia's international tax arrangements. The Government recognised the necessity of maintaining Australia's status as an attractive place for business and investment, and that the Australian tax system needed continually to adapt to the increasingly integrated global business environment.

The Australian Government has now enacted legislation implementing nearly all of the reforms.

- ### Withholding tax on Australian Property Trust distributions

The one area where legislation has not been enacted is withholding tax on distributions from Australian property trusts.

In the May 2003 announcement, Mr Peter Costello, the Treasurer stated:

> *"**Setting the rate of tax on rental income distributed by property trusts to non-residents at the company tax rate***
>
> *The trust level taxation of rental income that non-residents derive through Australian property trusts can cause compliance costs for the property trust industry. This complexity arises because of the difference in the tax rates imposed upon distributions to non-resident investors including the imposition of progressive rates of tax imposed on non-resident individuals.*
>
> *To reduce these compliance costs, the rate of tax imposed on trustees of Australian 'property trusts' in respect of all rental distributions made to non-residents will be set at the company tax rate. Defining a 'property trust' in this context, together with other aspects of the design of the legislation, will be the subject of consultation with the business community.*
>
> ***Other trustee taxes***
>
> *The Board also recommended that trustee taxation of income distributed by Australian unit trusts to non-residents be removed (except for net rent, interest, dividend and royalty income). This recommendation is not accepted because it raises integrity concerns in relation to the collection to tax from non-residents in respect of these kinds of income."*

The changes announced by the Treasurer were not expressed to apply from the date of the announcement, and it is expected they will apply prospectively on enactment.

- **Capital gains tax and non-residents**

Following the May 2003 announcement, specific capital gains tax exemptions have been enacted for non-resident investors on the disposal of a non-portfolio interest in certain Australian managed funds (including Australian property trusts) that invest overseas and on capital gains from trust assets that do not have the "necessary connection with Australia".

These measures were designed to align the Australian tax treatment of a non-resident investor holding a direct investment in assets, and holding an interest in an Australian fund on the sale of the underlying interest in real property and other assets.

The Treasurer, in May 2005, announced further international tax reforms to further enhance Australia's status as an attractive place for business and investment, including limiting the range of assets that have the necessary connection with Australia. The Treasurer announced that the CGT rules would be better targeted to impose Australian tax on non-Australian resident investors only on capital gains from Australian real property, and Australian assets of an Australian branch of non-resident.

At the same time, the Treasurer stated that an integrity rule will also be introduced to apply the Australian capital gains tax to non-portfolio interests in interposed entities, including interposed foreign entities, the principal value of which is attributable to Australian real property. The Treasurer stated:

> *"The proposed interposed entities rule will reinforce Australia's rights to tax Australian real property held by non-residents. As the Government is preserving Australia's source country taxing rights over land, it would not be appropriate to include an exemption from the measure where the gain on the sale of an interposed entity is subject to tax in listed countries, as was proposed in the Review of Business Taxation."*

These provisions were stated to commence from the date of Royal Assent of the enacting legislation, which is expected to be introduced before 30 June 2006.

Appendix C

Country	Market Cap (millions of A$)
AUSTRALIA	
Abacus Property Group	$551
ALE Property Group	$220
APN European Trust	$149
Aspen Property	$200
Australand Property Group	$1,807
Australian Eduction Trust	$117
Australian Hotel	$36
Babcock & Brown Japan	$750
Bakehous Quarter Fund	$20
Bunnings Warehouse	$588
Carindale Property	$255
Centro Properties Group	$5,097
CFS Gandel Retail Trust	$4,142
Challenger Beston Wine Trust	$124
Commonwealth Property	$2,059
DB Rreef	$3,844
Galileo Shopping America	$1,005
General Property Trust	$8,269
Grand Hotel Group	$194
Grand Hotel Group	$194
Infrastructure Yield Securities	$65
ING Entertainment Fund	$127
ING Industrial Fund	$1,840
ING Office Fund	$1,413
ING Real Estate Community	$256
Investa Property	$3,035
JF Meridian Trust	$782
JF US Industrial Trust	$112
MacArthur Cook Property	$120
Macquarie Countrywide	$2,365
Macquarie DDR	$989
Macquarie Goodman Group	$6,955
Macquarie Leisure	$448
Macquarie Office	$2,559
Macquarie Pro Logis	$954
Mariner American Income	$49
MFS Diversified Trust	$60
MFS Living and Leisure	$3
Mirvac Group	$3,538
MTM Entertainment	$14
Multiplex Acumen Property	$198
Multiplex Group	$2,638
Rabinov Diversified	$60
Record Realty	$113
Reckson New York Property	$166
Rubicon America Trust	$183
Rubicon Europe Trust Group	$260
S8 Property Trust	$59
Stockland Trust Group	$8,766
Thakral Holdings Group	$499
Tishman Speyer Office Fund	$620
Tourism & Leisure	$20

Trafalgar Corporate Group		$215
Trinity Consolidated		$133
Valad Opportunity Fund No. 11		$32
Valad Property Group		$725
Westfield Group		$31,745
Westralia Property Trust		$32
	TOTAL:	**$101,769**

Country		Market Cap (millions of US$)
BELGIUM		
Befimmo SCA		$917
Intervest Offices		$450
Leasinvest Real Estate		$262
Warehouses De Pauw		$418
	TOTAL:	**$2047**

Country		Market Cap (millions of US$)
FRANCE		
Affine		$294
Acanthe Developpmente		$412
Bail Investissement		$1,943
Fanciere des Regions		$1,977
Gecina		$7,347
Icade EMGP		$952
Klépiere		$4,720
Mercialys		$1,753
Orco Property Group		$663
Silic SA		$1,650
	TOTAL:	**$21,711**

Country		Market Cap (millions of US$)
HONG KONG		
Link REIT		$4,100
Prosperity REIT		$383
GZI REIT		$464
	TOTAL:	**$4,947**

Country		Market Cap (millions of US$)
JAPAN		
Nippon Building Fund		$3,029
Japan Real Estate		$2,170
Japan Retail Fund		$2,700
Orix JREIT		$1,087
Japan Prime Realty		$1,470
Premier Investment Trust		$546
Tokyu Real Estate		$907
Global One Real Estate		$653
Nomura Real Estate Office		$1,301
United Urban Development Corp		$1,035
Mori Trust Sogo REIT		$1,367
Nippon Residential		$642

Tokyo Growth REIT	$106
Frontier Real Estate	$687
New City Residence	$415
Crescendo Investment Corp	$260
Japan Logistics Fund	$400
Fukuoka REIT Corp	$723
Prospect Residential Investment	$284
Japan Single-Residence REIT	$147
Kenedix Realty Investment	$427
Joint REIT Investment	$267
eASSET Investment	$251
FC Residential Investment	$119
DA Office Investment	$435
Hankyu REIT	$422
TOTAL:	**$21,850**

Country	Market Cap (millions of US$)
KOREA	
Kyobo Meritz CR-REIT	$94
KOCREF1	$185
KOCREF2	$64
KOCREF3	$74
Realty Korea CR-REIT	$82
Ures-Meritz First CR-REIT	$54
TOTAL:	**$553**

Country	Market Cap (millions of US$)
MALAYSIA	
Amfirst Property Trust	$167
Amanah Harta Tanah PNB	$75
Amanah Harta Tanah PNB2	$45
Axis REIT	$90
TOTAL:	**$377**

Country	Market Cap (millions of US$)
NETHERLANDS	
Amstelland MDC NV	$1,129
Corio NV	$3,975
Eurocommercial Properties NV	$1,256
Nieuwe Steen Investments NV	$942
Rodamco Europe NV	$7,710
VastNed Office / Industrial NV	$573
VastNed Retail NV	$1,157
Wereldhave NV	$2,137
TOTAL:	**$18,879**

Country	Market Cap (millions of US$)
SINGAPORE	
CapitaMall Trust	$2,033
Ascendas REIT	$1,710
CapitaCommercial Trust	$824
Fortune REIT	$3,028

Suntec REIT	$905
Mapletree Logistics Trust	$527
Macquarie MEAG Prime REIT	$921
TOTAL:	**$9,948**

Country	Market Cap (millions of US$)
TAIWAN	
Cathay No 1 REIT	$441
Fubon 1	$190
TOTAL:	**$631**

Country	Market Cap (millions of US$)
USA	
Acadia Realty Trust	$667.1
Affordable Residential Communities	$391.8
Agree Realty Corporation	$228.2
Alexandria Real Estate Equities, Inc	$1,969.4
AMB Property Corporation	$4,395.0
American Campus Communities Inc	$425.6
American Financial Realty Trust	$1,599.9
American Land Lease Inc	$188.5
AMLI Residential Properties Trust	$973.0
Annaly Mortgage Management Inc	$1,549.8
Apartment Investment & Management C	$4,069.3
Arbor Realty Trust Inc	$447.3
Archstone-Smith	$9,910.5
Arden Realty Inc	$2,996.6
Ashford Hospitality Trust Inc	$524.7
Associated Estates Realty Corporation	$192.2
AvalonBay Communities Inc	$7,274.6
Bedford Property Investors Inc	$369.6
BioMed Realty Trust	$1,248.0
Boston Properties Inc	$8,775.7
Boykin Lodging Company	$226.6
Brandywine Realty Trust	$2,772.3
BRE Properties Inc	$2,508.6
Camden Property Trust	$3,375.7
Capital Lease Funding Inc	$299.9
Capital Trust Inc	$471.9
Capstead Mortgage Corporation	$139.2
CarrAmerican Realty Corporation	$2,136.6
CBL & Associates Properties Inc	$2,697.0
Cedar Shopping Centres Inc	$415.4
CenterPoint Properties Trust	$2,417.6
Colonial Properties Trust	$2,058.5
Commercial Net Lease Realty	$1,229.5
Corporate Office Properties Trust	$1,599.0
Centracore Properties Trust	$316.9
Cousins Properties Incorporated	$1,575.7
Crescent Real Estate Equities Company	$2,120.9
CRIIMI MAE Inc	$315.2
Developers Diversified Realty Corporation	$5,285.2
DiamondRock Hospitality Company	$647.5
Digital Realty Trust Inc	$699.0
Duke Realty Corporation	$4,978.5
Eagle Hospitality Properties Trust	$143.3
EastGroup Properties Inc	$1,037.1

Education Realty Trust Inc	$341.2
Entertainment Properties Trust	$1,124.6
Equity Inns Inc	$843.0
Equity Lifestyle Properties Inc	$1,075.3
Equity Office Properties Trust	$12,863.4
Equity One Inc	$1,788.4
Equity Residential	$12,221.1
Essex Property Trust Inc	$2,253.9
Extra Space Storage Inc	$585.8
Federal Realty Investment Trust	$3,509.0
FelCor Lodging Trust Incorporated	$1,182.6
Feldman Mall Properties Inc	$143.7
First Industrial Realty Trust Inc	$1,737.1
First Potomac Realty Trust	$588.6
Forest City Enterprises Inc	$3,829.9
Friedman, Billings, Ramsey & Co Inc	$1,876.9
General Growth Properties Inc	$12,298.2
Glenborough Realty Trust Incorporated	$679.9
Glimcher Realty Trust	$980.2
Global Signal Inc	$3,262.8
GMH Communities Trust	$640.0
Government Properties Trust Inc	$177.8
Gramercy Capital Corp	$608.1
Health Care Property Investors Inc	$3,770.2
Health Care REIT Inc	$2,015.4
Highland Hospitality Corporation	$609.8
Highwood Properties Inc	$1,698.7
Home Properties Inc	$1,449.9
Hospitality Properties Trust	$3,068.9
Host Marriott Corporation	$7,051.5
HRPT Properties Trust	$2,249.7
Inland Real Estate Corporation	$1,038.7
Innkeepers USA Trust	$767.5
ISTAR Financial Inc	$4,023.1
JER Investors Trust Inc	$444.4
Kilroy Realty Corporation	$1,932.1
Kimco Realty Corporation	$7,904.9
Kite Realty Group Trust	$444.9
KKR REIT	$1,799.6
La Quinta Properties Inc	$2,037.1
LaSalle Hotel Properties	$1,254.3
Lexington Corporate Properties Trust	$1,153.9
Liberty Property Trust	$3,955.9
Longview Fibre Company	$972.0
LTC Properties Inc	$524.2
Luminent Mortgage Capital Inc	$348.8
Mack-Cali Realty Corporation	$2,751.1
Maguire Properties Inc	$1,495.5
Medical Properties Trust Inc	$378.9
MeriStar Hospitality Corporation	$867.1
MFA Mortgage Investments Inc	$543.9
Mid-America Apartment Communities Inc	$1,110.3
Nationwide Health Properties Inc	$1,537.0
New Century Financial Corporation	$2,198.0
New Plan	$2,539.0
Newcastle Investment Corporation	$1,185.7
Newkirk Realty Trust Inc	$303.2
NorthStar Realty Finance Corporation	$231.6
Omega Healthcare Investors Inc	$674.3
One Liberty Properties Inc	$196.4
Parkway Properties Inc	$592.9
Pennsylvania Real Estate Investment Trust	$1,488.7

Plum Creek Timber Company Inc	$6,975.6
Post Properties Inc	$1,663.0
Prentiss Properties Trust	$1,952.1
ProLogis	$12,372.0
Public Storage Inc	$9,304.2
RAIT Investment Trust	$755.3
Ramco-Gershenson Properties Trust	$467.8
Rayonier Inc	$3,243.4
Realty Income Corporation	$1,941.7
Reckson Associates Realty Corp	$3,218.3
Regency Centers Corporation	$4,367.6
Saul Centers Inc	$645.5
Senior Housing Properties Trust	$1,228.6
Shurgard Storage Centers Inc	$2,997.6
Simon Property Group	$18,644.2
Sizeler Property Investors Inc	$304.5
SL Green Realty Group	$3,571.2
Sovran Self Storage Inc	$835.4
Spirit Finance Corporation	$808.6
Starwood Hotels & Resorts	$13,405.0
Strategic Hotel Capital Inc	$924.1
Sun Communities Inc	$598.3
Sunstone Hotel Investors Inc	$1,398.5
Tanger Factory Outlet Centers Inc	$960.2
Taubman Centers Inc	$1,906.3
The Macerich Company	$4,302.5
The Mills Corporation	$2,326.4
The Town and Country Trust	$641.8
Thornburg Mortgage Inc	$2,648.4
Trizec Properties Inc	$3,601.9
Trustreet Properties Inc	$859.3
United Dominion Realty Trust	$3,501.0
Universal Health Realty Income Trust	$405.5
Urstadt Biddle Properties Inc	$128.1
U-Store-It Trust	$1,271.2
Ventas Inc	$3,179.7
Vornado Realty Trust	$12,403.0
W.P. Carey & Co LLC	$1,001.7
Washington Real Estate Investment Trust	$1,372.8
Weingarten Realty Investors	$3,574.1
Windrose Medical Properties Trust	$205.2
Winston Hotels Inc	$270.2
Winthrop Realty Trust	$195.7
TOTAL:	**$357,262.0**

Appendix D

Australia has entered into double tax treaties with the following countries:

Argentina
Austria
Belgium
Canada
China
Czech Republic
Denmark
Fiji
Finland
France
Germany
Hungary
India
Indonesia
Ireland
Italy
Japan
Kiribati
Korea
Malaysia
Malta
Mexico
Netherlands
New Zealand
Norway
Papua New Guinea
Philippines
Poland
Romania
Russian Federation
Singapore
Slovak Republic
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Taiwan (Taipei)
Thailand
United Kingdom
United States
Vietnam

Appendix E

In this Report the following abbreviations are used:

1936 Tax Act	*Income Tax Assessment Act 1936*
1997 Tax Act	*Income Tax Assessment Act 1997*
ASX	Australian Stock Exchange Limited
ASIC	Australian Securities & Investment Commission
ATO	Australian Taxation Office
CFC	Controlled foreign company
CGT	Capital gains tax
DTA	Double tax agreement
DWT	Dividend withholding tax
EPRA	The European Public Real Estate Association
EU	European Union
FBT	Fringe benefits tax
FIA	Foreign income account
FIF	Foreign investment fund
IRC	The US Internal Revenue Code
JV	Joint venture
LPT	Australian Listed Property Trust
MIS	Managed investment scheme
NAREIT	The North American Real Estate Investment Trust Association
Non-portfolio investment	An investment of 10% or more
NZ	New Zealand
OECD	Organisation for Economic Cooperation and Development
PAYG	Pay As You Go withholding taxes, *Taxation Administration Act 1953*
PE	Permanent establishment
Portfolio investment	An investment of less than 10%
R&D	Research & development
RBT	Review of Business Taxation, *A Tax System Redesigned*, Report, July 1999
REIT	Real estate investment trust
RITA	Review by the Board of Taxation of International Taxation Arrangements February 2003
TD	Taxation Determination
TFN	Tax file number
The Board	The Australian Board of Taxation
Treasury Paper	Consultation Paper: *Review of International Taxation Arrangements*, August 2002, The Treasury
UK	United Kingdom
UN	United Nations
US	United States of America
WHT	Withholding tax