



MEDIA RELEASE FROM SA REIT ASSOCIATION

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***Property sector welcomes budget news that unlisted funds could soon enjoy REIT status***

South Africa's commercial real estate sector welcomed the announcement by Minister of Finance Nhlanhla Nene in his budget speech yesterday that National Treasury is supporting, and working towards, extending South Africa's REIT (Real Estate Investment Trust) dispensation to unlisted property-owning companies.

Impacting every man in the street through their pension savings, there are billions of Rands of property investments in South Africa's unlisted property vehicles that could be impacted by the REIT dispensation which, if extended to the unlisted property sector, will prevent tax leakage from pension and savings vehicles.

The SA REIT Association's Taxation and Regulation committee, together with the South African Property Owners Association's (SAPOA) REIT committee, and their respective advisors, have been engaging with National Treasury to resolve outstanding issues stemming from existing REIT dispensation, which came into effect in 2013. The REIT dispensation currently only applies to JSE listed property companies listed on the REIT board, and SAREIT and SAPOA have also been lobbying National Treasury to extend the dispensation to the unlisted property sector.

The 2015 National Budget Review Annexure C - Additional Tax Amendments, published yesterday, states: *"REITS - In 2012, a special tax dispensation for listed REITS was introduced in the Income Tax Act. The provisions of section 25BB will be refined to remove anomalies. Unlisted property-owning companies - Unlisted property-owning companies marketed to the general public or held by institutional investors do not qualify for the same special tax dispensation as listed real estate investment trusts. Government proposes that unlisted property-owning companies should qualify for the same tax treatment if they become regulated. A regulatory framework for unlisted property-owning companies will be developed."*

Estienne de Klerk, the SA REIT Association's Taxation and Regulation Committee Chairman explains: "Extending REIT status to South Africa's unlisted real estate entities will give them access to the same flow through of tax after net property income the listed property sector already enjoys. It will level the playing field for the industry."

Unlisted property-owning vehicles include pension and life insurance funds, private investment vehicles and property syndications - all of which have keenly awaited news on the matter.

De Klerk adds: "JSE-listed REITs are also eager for an unlisted REIT dispensation, as many listed entities have associate companies and investments held in unlisted property entities. We're actively engaged in the drive for REIT status for the unlisted property sector because the entire industry, and the South African public, will benefit by resolving these outstanding tax issues for the property sector."



There is pressure to finalise REIT status for unlisted property funds before the end of the year, as Sections 8F and 8FA of the Income Tax Act, which deal with dual linked unit debentures, expire at the end of 2015.

National Treasury, together with the property sector, will have to deal with the outstanding REIT tax issues, draft new legislation and regulation for unlisted REITs, appoint a regulator and set its powers and capacity.

“The property industry will continue to work together with National Treasury to regulate the issues that matter, while fostering entrepreneurship and growth for the sector. Should the unlisted REIT dispensation not be finalised by year end, the property sector is hopeful National Treasury will grant a respite until a later date, when the finalisation of the REIT tax treatment of unlisted property entities can be finalised,” says de Klerk.

“However, today’s announcement sends a strong signal that National Treasury is giving the tax status of unlisted property entities a priority, which has been received positively by the property sector.

“We are also encouraged by the statement that National Treasury will assist the REITs to rectify the remaining tax anomalies with important technical corrections.”

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Released by:  
The SA REIT Association  
Estienne de Klerk, SA REIT Association Taxation and Regulation Committee, Chairman  
[www.sareit.com](http://www.sareit.com)  
Tel: 011 783 2201

Distributed by:  
Marketing Concepts  
Suren Naidoo  
011 783 0700