



Securities and
Exchange
Commission
PHILIPPINES

LAUNCHING OF THE

REIT

REAL ESTATE INVESTMENT TRUST

REGULATIONS

SALIENT PROVISIONS

of the Revised Implementing Rules and Regulations of the REIT Act of 2009

The Securities and Exchange Commission (SEC) and the Bureau of Internal Revenue (BIR), with the approval of the Department of Finance (DOF), issued amendments to the implementing rules and regulations (IRR) of Republic Act No. 9856, or the Real Estate Investment Trust (REIT) Act of 2009 on January 20, 2020.

Alongside, the Philippine Stock Exchange (PSE) issued amendments to the Listing Rules for REITs to provide for the appropriate mechanism, internal controls and procedures to monitor the compliance of REITs with the applicable rules and regulations.

Lower public ownership requirement

To encourage the formation of REITs, the SEC lowered the minimum public ownership requirement in line with the provision of the REIT Act that a REIT must have at least 1,000 public shareholders each owning at least 50 shares of any class of shares and, in aggregate, at least 1/3 of the outstanding capital stock.

Prior to its amendment, Rule 4 of the IRR further required REITs to increase their public float to 67% within three years from their listing.

Under the amended Listing Rules for REITs, the PSE shall impose a 6-month trading suspension if a REIT fails to maintain the required public ownership level. If it remains non-compliant after the suspension period, the REIT shall be automatically delisted.

The general Listing Rules of PSE will also have to be complied with by a REIT.

VAT exemption on transfer of properties to REITs

Meanwhile, the BIR amended Revenue Regulations No. 13-2011 through a new Revenue Regulation issued on January 20, 2020 to expressly exempt from the 12% VAT the transfer of property to a REIT in exchange for its shares, provided the exchange should result in an acquisition by the transferor of at least 51% of the outstanding voting capital stocks of the transferee.

The amended REIT IRR incorporated a provision pertaining to the applicability of the relevant BIR regulations on the taxability of REITs.

The BIR further removed the requirement for a REIT to place in escrow in favor of the Bureau the income tax collectible from the REIT on the dividend it declared and deducted from its taxable income, as well as the 50% documentary stamp tax given as incentive on the transfer of real property to REIT, in light of the reduced minimum public ownership requirement and in the spirit of ease of doing business.

To avail of the tax incentives under the REIT Act, a REIT must submit to the BIR its reinvestment plan and certification of compliance from the SEC.

Reinvestment in the Philippines

The amended Rule 4 of the IRR requires a sponsor or promoter to reinvest any proceeds from the sale of shares or other securities issued in exchange for income-generating real estate transferred to the REIT and from the sale of any income-generating real estate to the REIT in any

real estate, including any redevelopment and infrastructure projects, in the Philippines.

A sponsor or promoter shall execute a firm undertaking, which shall form part of the prospectus or REIT plan submitted during its registration and listing application.

The amended Listing Rules for REITs further requires a sponsor, promoter or principal shareholder listed on the PSE to include its compliance with the reinvestment plan in its annual, quarterly, and current reports.

The reinvestment requirement was introduced in line with the declaration in the REIT Act that REITs shall assist the State in achieving its policy of promoting the development of the capital market; democratizing wealth by broadening the participation of Filipinos in the ownership of real estate in the Philippines; and using the capital market as an instrument to help finance and develop infrastructure projects in the Philippines.

Enhanced investor protection

At the same time, the SEC amended Rule 5 of the IRR to afford more protection to investors by requiring the creation of a related party transactions committee. Majority of the committee members must be independent directors who shall vote unanimously in approving related party transactions.

REITs shall also comply with SEC Memorandum Circular No. 10, Series of 2019, which requires publicly listed companies to disclose their respective policies on material related party transactions and to report such dealings within three days from their execution, among others.

To ensure transparency, a REIT listed on the PSE will have to strictly adhere to Disclosure Rules and disclose material, non-public information through the Exchange's electronic disclosure system. It will also have to submit Quarterly Investment Reports and a Final Investment Report covering the proceeds received by sponsors or promoters pursuant to the domestic reinvestment policy of the REIT IRR.

In addition, the SEC added under Rule 11 that "any circumvention" of the REIT Act and its IRR shall be subject to the appropriate penalty, without prejudice to other actions which may be taken by the Commission.

The Listing Rules for REITs also provides for the suspension and delisting of REITs for non-compliance with the applicable laws and regulations, and for the conduct of a mandatory tender offer and reacquisition of shares of investors in case of delisting, among others.

Expert, independent fund and property management

The SEC also enhanced the qualification requirements of REIT fund managers and property managers under Rules 6 and 7 of the IRR to ensure their independence and allow for their organization, among others.

For one, the Commission limited the participation of REIT directors, sponsors and promoters in the decision-making of fund and property managers. They cannot occupy more than 49% of the board of the fund or property manager under the proposed amendment.

To facilitate easier registration for REIT fund managers, the SEC lowered the minimum paid-up capital requirement of foreign corporations intending to engage in the business of fund managers to P50 million from P100 million.

The SEC also adjusted to three years the track record requirement of a REIT fund manager and property manager. The responsible officers were previously required to have five years of relevant experience.

The revisions in the requirements of fund managers and property managers attempt to strike a balance between the protection of the investing public, the expertise required for the proper functioning of these roles, and the comfort level of the sponsors or promoters that the properties they contribute to the REIT will be properly managed.

COMPARATIVE MATRIX

of the Amendments to the REIT IRR

| Old Provision | Amendment |
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| Rule 3 - Definition of Terms Used in the Rules | |
| <p>h. “Code of Corporate Governance” means the Revised Code of Corporate Governance issued by the Commission on 22 June 2009 and made effective on 15 July 2009; and as may be amended by the Commission.</p> | <p>h. “Code of Corporate Governance” refers to the <u>applicable Code of Corporate Governance and such other relevant regulations as may be defined by the Commission.</u></p> |
| <p>No provision</p> | <p>s. “Infrastructure Projects” <u>As defined in R.A. No. 6975, as amended by R.A. No. 7718, and in the Constructors’ Performance Evaluation System Implementing Guidelines for Infrastructure Projects, has been defined as construction, improvement or rehabilitation of roads and highways, airports and air navigation facilities, railways, ports, flood control and drainage, water supply and sewerage, irrigation systems, dams, buildings, communication facilities, dredging and reclamation, power generating plants, power transmission and distribution facilities and other related construction projects.</u></p> |
| <p>aa. “NIRC” means the National Internal Revenue Code of 1997, as amended.</p> | <p>aa. “NIRC” <u>means the National Internal Revenue Code of 1997, as amended, and the pertinent amendments introduced by the Tax Reform for Acceleration and Inclusion (TRAIN) Act.</u></p> |
| <p>No provision</p> | <p>nn. “Real Estate Appraiser” <u>means a duly registered and licensed natural person who, for a professional fee, compensation or other valuable consideration, performs or renders, or offers to perform services in estimating and arriving at an opinion of or acts as an expert on real estate values, such services of which shall be finally rendered by the preparation of the report in acceptable written form.</u></p> |
| <p>No provision</p> | <p>oo. “Real Estate Assessor” <u>means a duly registered and licensed natural person who works in a local government unit and performs appraisal and assessment of real properties, including plants, equipment, and machineries, essentially for taxation purposes.</u></p> |
| <p>No provision</p> | <p>pp. “Real Estate Consultant” <u>means a duly registered and licensed - natural person who, for a professional fee, compensation or other valuable consideration, offers or renders professional advice and judgment on: (i) the acquisition, enhancement, preservation, utilization or disposition of lands or improvements thereon; and (ii) the conception, planning, management and development of real estate projects.</u></p> |
| <p>No provision</p> | <p>tt. “Revised Corporation Code” <u>refers to Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines.</u></p> |

Rule 4 - Real Estate Investment Trust

SEC. 5. Requirements. The REIT shall comply with the following requirements:

5.1 Body Corporate.

- a. Minimum Public Ownership. A REIT shall be a public company and to be considered as such, a REIT shall: (a) maintain its status as a listed company; and (b) upon and after listing, have at least one thousand (1,000) Public shareholders each owning at least fifty (50) shares, and who, in aggregate, own at least forty percent (40%) of the outstanding capital stock of the REIT at the initial year; provided, that the minimum ownership shall be increased to sixty seven percent (67%) within three (3) years from its listing.

SEC. 5. Requirements. The REIT shall comply with the following requirements:

5.1 Body Corporate.

- a. Minimum Public Ownership. A REIT shall be a public company and to be considered as such, a REIT shall: (a) maintain its status as a listed company; and (b) upon and after listing, have at least one thousand (1,000) Public Shareholders each owning at least fifty (50) shares of any class of shares, and who, in aggregate, **own at least one-third (1/3) of the outstanding capital stock of the REIT.**

No provision

e. Reinvestment in the Philippines. In line with the policy to promote the development of the capital market and Filipino participation in the real estate industry, democratize wealth by broadening the participation of Filipinos in the ownership of real estate in the Philippines, use the capital market as an instrument to help finance and develop infrastructure projects in the Philippines, reinvestment in the Philippines shall be an indispensable requisite for any Sponsor/Promoter who contributes income-generating Real Estate to a REIT.

The relevant listing rules shall be issued which primarily requires the submission of a Reinvestment Plan with a firm undertaking to reinvest (a) any proceeds realized by the Sponsor/Promoter from the sale of REIT shares or other securities issued in exchange for income-generating Real Estate transferred to the REIT and (b) any money raised by the Sponsor/Promoter from the sale of any of its income-generating Real Estate to the REIT, in any Real Estate, including any redevelopment thereof, and/or Infrastructure Projects in the Philippines. This reinvestment shall be made within one (1) year from the date of receipt of proceeds or money by the Sponsor/Promoter.

The exchange shall furnish the Commission and the Department of Finance with a copy of the Reinvestment Plan in no more than three (3) days from receipt thereof. The Commission shall furnish the Department of Finance all REIT-related reports within fifteen (15) days from due date of submission of quarterly reports by the REIT.

The exchange shall also adopt in its rules the appropriate mechanism, internal controls, and procedures to include, among others, requiring the Sponsor/Promoter to be a party to the Listing Agreement and prescribing reporting requirements to monitor the REIT.

Rule 5 - Allowable Investments of the REIT

SEC. 9. Related Party Transactions. Any contract or amendment thereto, between the REIT and Related Parties, including contracts involving the acquisition or lease of assets and contracts for services, shall comply with the following minimum requirements:

- a. Full, fair, timely and accurate disclosures on the identity of the parties, their relationship with the REIT, and other important terms and conditions of the transaction have been made to the Exchange and the Commission;
- b. Be on fair and reasonable terms, including the contract price;
- c. Approved by at least a majority of the entire membership of the board of directors, including the unanimous vote of all independent directors of the REIT;
- d. Accompanied by a fairness opinion by an independent appraiser done in accordance with the valuation methodology prescribed by the Commission, in the case of an acquisition or disposition of real estate assets and property or share swaps or similar transactions; and
- e. Any other matter that may be materially relevant to a prospective investor in deciding whether or not to invest in the REIT.

SEC. 9. Related Party Transactions. Any contract or amendment thereto, between the REIT and Related Parties, including contracts involving the acquisition or lease of assets and contracts for services, shall comply with the following minimum requirements:

- a. Full, fair, timely and accurate disclosures on the identity of the parties, their relationship with the REIT, and other important terms and conditions of the transaction have been made to the Exchange and the Commission;
- b. Be on fair and reasonable terms, including the contract price;
- c. Approved by at least a majority of the entire membership of the board of directors, including the unanimous vote of all independent directors of the REIT;
- d. Must also be approved by the Related Party Transactions Committee which is constituted with the sole task of reviewing related party transactions. Majority of its members must be independent directors who shall vote unanimously in approving such related party transactions.**
- e. Compliance with SEC Memorandum Circular No. 10, series of 2019 on the Rules on Material Related Party Transactions for Publicly-Listed Companies, or such other relevant regulations that may be issued by the Commission.**
- f. Accompanied by a fairness opinion by an independent appraiser done in accordance with the valuation methodology prescribed by the Commission, in the case of an acquisition or disposition of real estate assets and property or share swaps or similar transactions; and
- d. Any other matter that may be materially relevant to a prospective investor in deciding whether or not to invest in the REIT.

No provision

Sec. 12.1 Reportorial and Disclosure Requirements. The REIT shall comply with the reportorial and disclosure requirements prescribed by the Corporation Code, the SRC and the relevant Exchange. The BIR shall likewise be furnished copies of the reports herein prescribed. At the minimum, the REIT shall disclose the following information in its Annual, Quarterly or Current Report.

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- x. Any other disclosures as may be required by the Commission or the relevant Exchange including, where applicable, compliance by the Sponsor/Promoter with its Reinvestment Plan.**

| Old Provision | Amendment |
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| Rule 6 - Fund Manager | |
| <p>SEC. 1. <i>Fund Manager.</i> A REIT shall appoint a Fund Manager who shall be independent of the REIT, its promoter/s or sponsor/s.</p> | <p>SEC. 1. <i>Fund Manager.</i> A REIT shall appoint a Fund Manager who shall be independent of the REIT, its promoter/s or sponsor/s. <u>To ensure independence of the fund manager from the REIT, the following shall be complied with:</u></p> <p><u>1.1 Majority of the members of the board of the REIT Fund manager must be independent directors, at least one (1) of whom must have a working knowledge of the real estate industry, fund management, corporate finance, or other relevant finance-related functions;</u></p> <p><u>1.2 The directors (including the independent directors) of the REIT and its Sponsors/Promoters cannot jointly occupy more than 49% of the board of directors of the REIT Fund Manager.</u></p> |
| <p>SEC. 2. <i>Organization and Requirements.</i> A REIT Fund Manager shall be subject to the following minimum requirements:</p> | <p>SEC. 2. <i>Organization and Requirements.</i></p> |
| <p>2.1. It shall be a registered corporation:</p> <p>(i) duly licensed by the appropriate Philippine regulatory agency to engage in the business of fund management. If the Fund Manager is a trust entity, it shall be covered by existing BSP rules and regulations governing trust entities and regulations which the BSP may from time to time issue. (ii) with at least a three (3)-year track record in the area of fund management, corporate finance, or other relevant finance-related functions; and (iii) a minimum paid-up or assigned capital in the case of a foreign corporation, of One Hundred Million Pesos (Php100,000,000.00) or its equivalent in foreign currency which shall remain unimpaired at any given time, otherwise, an additional capital infusion shall be made within three (3) working days from such impairment; (iv) with sufficient human, organizational and technical resources for the proper performance of its duties, including two (2) responsible officers or a trust officer, in case of a trust entity, each of whom shall have at least five (5) years track record in fund management and at least one (1) of the responsible officers or a trust officer, in case of a trust entity, shall be available at all times to supervise the business of the Fund Manager;</p> | <p>2.1 An entity may only engage in the business of a REIT Fund Manager once it has obtained the necessary license to act as such, in accordance with the rules and regulations of the Commission.</p> <p>2.2 A REIT Fund Manager can either be a registered <u>domestic</u> corporation, a trust entity with an existing BSP license, or a foreign corporation duly licensed to do business in the Philippines, subject to the following minimum requirements:</p> <p><u>a. duly licensed under these Rules to engage in the business of fund management for REIT. If the Fund Manager is a trust entity, it shall be covered by existing BSP rules and regulations governing trust entities and regulations which the BSP may from time to time issue;</u></p> <p><u>i. A Fund Manager that is a BSP registered trust entity is no longer required to secure a separate license for a REIT Fund Manager from the Commission, Provided: that the REIT has sufficiently established with the Commission that its appointed Fund Manager has complied with all the requirements under the REIT Act and this Implementing Rules and Regulations.</u></p> <p><u>ii. Notwithstanding the immediately preceding paragraph, all REIT Fund Managers shall be supervised by the Commission.</u></p> <p>b. with at least three (3)-year track record in the area of fund management, corporate finance, other relevant finance-related functions, property management in the real estate industry or in the development of real estate industry.</p> <p>c. with a minimum paid-up capital of Fifty Million Pesos (Php 50,000,000.000). This capitalization shall remain unimpaired at any given time, otherwise, an additional capital infusion shall be made within three (3) working days from such impairment, <u>Provided, that the Fund Manager shall comply with the additional paid-up capital, and/or other guidelines that may be prescribed by the Commission, in consideration of the nature, scale and complexity of the Fund Manager's operations;</u></p> <p>d. with sufficient human, organizational and technical resources for the proper performance of its duties, including two (2) responsible officers or a trust officer, in case of a trust entity, each of whom shall have at least three (3) years track record in fund management. At least one (1) of the responsible officers or a trust officer, in case of a trust entity, shall be available at all times to supervise the business of the Fund Manager;</p> |

| Old Provision | Amendment |
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| Rule 6 - Fund Manager | |
| <p>2.2 Its office in the Philippines shall have a meaningful role in its business activities and must perform accounting, compliance and investor relations services in the Philippines;</p> | <p>2.3 Its <u>physical</u> office in the Philippines shall have a meaningful role in its business activities and must perform accounting, compliance and investor relations services in the Philippines. <u>The following non-exhaustive factors are relevant to the assessment of the role of the Fund Manager in its business activities:</u></p> <p>(i) the composition and mandate of the Fund Manager’s board of directors <u>or trust committee</u> and management committees;</p> <p>(ii) the extent to which the chief executive officer or its equivalent, <u>or its trust officer</u>, and directors, <u>or trust committee members</u> who are resident of the Philippines participate in the formulation of investment strategies and financing activities of the Fund Manager; property acquisition; leasing; operational and financial reporting (including operating budgets); appraisals; audits; market review; accounting and reporting procedures, as well as refinancing and asset disposition plans;</p> |
| <p>2.3 Its chief executive officer or trust officer shall be a resident of the Philippines, and its two (2) full-time and qualified professional employees shall have a track record and experience in financial management as well as experience in the real estate industry for at least five (5) years.</p> | <p>2.4 Its chief executive officer or any equivalent officer, or trust officer must have two (2) full-time and qualified professional employees, who shall have a track record and experience in financial management as well as experience in the real estate industry for at least <u>three (3) years.</u></p> <p><u>A Fund Manager is deemed to have complied with the track record requirement of the Act if its chief executive officer and not less than two (2) of its full-time professional employees have a track record and experience in financial management as well as experience in the real estate industry for at least three (3) years prior to their employment. The chief executive officer and the 2 full-time qualified professional employees shall all be residents of the Philippines;</u></p> |
| Rule 7. Property Manager | |
| <p>SEC. 1. <i>Property Manager.</i> A REIT shall appoint a Property Manager who shall be independent of the REIT, its promoter/s or sponsor/s. A Property Manager shall be considered independent if it shall comply with the Fit and Proper Rule as herein defined.</p> | <p>SEC. 1. <i>Property Manager.</i> A REIT shall appoint a Property Manager who shall be independent of the REIT, its promoter/s or sponsor/s. <u>To ensure independence of the property manager from the REIT, the following shall be complied with:</u></p> <p><u>1.1 Majority of the members of the board of the REIT Property Manager must be independent directors, at least two (2) of whom must have working knowledge of the real estate industry; and</u></p> <p><u>1.2 The directors (including the independent directors) of the REIT and its Sponsors/Promoters cannot occupy more than 49% of the board of directors of the Property Manager.</u></p> <p><u>SEC. 2. <i>Independence.</i></u> <u>A REIT Property Manager must comply with the requirements on the number of independent directors, as provided under Sec. 1 hereof and under relevant law or appropriate regulatory authority, such as but not limited to pertinent provisions of the SRC and the Revised Code of Corporate Governance;</u></p> <p><u>2.1 The qualifications and disqualifications of the directors of the Property Manager must comply with the provisions of the Revised Code of Corporate Governance and the fit and proper rule prescribed in this IRR.</u></p> <p><u>2.2 Must comply with the additional requirements or qualifications for a Property Manager in accordance with the Fit and Proper Rule, the Revised Code of Corporate Governance, and such relevant regulations, which the Commission may prescribe from time to time.</u></p> |

Rule 7. Property Manager

SEC. 2. *Minimum Qualifications.* The Property Manager shall comply with the following minimum qualifications:

- 2.1 It shall possess sufficient human, organizational and technical resources for the proper performance of its duties, including two (2) responsible officers each of whom shall have at least five (5) years track record in property portfolio management, and at least one (1) of the responsible officers shall be available at all times to supervise the business of the Property Manager, including asset and property management.
- 2.2 It shall maintain satisfactory internal controls and written compliance procedures.

SEC. 3. *Minimum Qualifications.* A REIT Property Manager shall comply with the following minimum qualifications:

- 3.1 It must employ either a real estate consultant, real estate appraiser, or a real estate assessor, who must be subject to compliance with relevant laws.**
- 3.2 It shall possess sufficient human, organizational and technical resources for the proper performance of its duties, including two (2) responsible officers each of whom shall have at least **three (3) years** track record in property portfolio management, and at least one (1) of the responsible officers shall be available at all times to supervise the business of the Property Manager, including asset and property management.
- 3.3 It shall maintain satisfactory internal controls and written compliance procedures.
- 3.4 It shall have sufficient financial resources at its disposal to enable it to conduct its business effectively and meet its liabilities.

Rule 10 - Taxes

Section 1. *Income Taxation of REITs.* A REIT shall be subject to income tax under Chapter IV, Title II of the NIRC, as amended, on its Taxable Net Income as defined in the Act: Provided, That in no case shall a REIT be subject to a minimum corporate income tax, as provided under Section 27(E) of the same Code;

Provided, further, That for purposes of computing the taxable net income of a REIT, dividends distributed by a REIT from its distributable income as of the end of the taxable year and on or before the last day of the fifth (5th) month following the close of the taxable year shall be considered as paid on the last day of such taxable year.

However, a REIT shall be subject to income tax on its taxable net income as defined in Chapter IV, Title II of the NIRC, as amended, instead of its taxable net income as defined in this Act, upon the occurrence of any of the following events:

- a) Failure to maintain its status as a public company as defined herein;
- b) Failure to maintain the listed status of the investor securities on the Exchange and the registration of the investor securities by the Commission; and/or
- c) Failure to distribute at least ninety (90%) percent of its Distributable Income as required herein.

The above events, however, shall be subject to a Thirty (30) day curing period from the time of the occurrence of the event. Compliance by the REIT within the curing period shall be determined by the Commission and such determination shall be immediately communicated to the BIR.

SEC. 1. *Compliance with BIR Regulations.*

The provisions on taxation of REITs provided under the REIT Act shall be subject to the regulations promulgated by the BIR.

Rule 10 - Taxes (continued)

Section 2. Creditable Withholding Tax. Income payments to a REIT shall be subject to a creditable withholding tax of one (1%) percent.

Section 3. Tax on Transfer of Property by REIT. Any sale or transfer of real property to a REIT, including the sale or transfer of any and all security interest thereto shall be subject to fifty (50%) percent of the applicable DST imposed under title VII of the NIRC.

All applicable registration and annotation fees relative or incidental thereto shall be fifty (50%) of the applicable registration and annotation fees.

The incentives provided herein can be availed by an unlisted REIT provided it is listed with an Exchange within two (2) years from the initial availment of the incentives.

The fifty (50%) percent of the applicable DST shall be due and demandable together with the applicable surcharge, penalties and interest thereon reckoned from the date such tax should have been paid upon the occurrence of any of the following events:

- a) Failure to list with an Exchange within a period two (2) years from the date of initial availment;
- b) Failure to maintain its status as a public company as defined in the Act;
- c) Failure to maintain the listed status of the Investor Securities on the Exchange and the registration of the investor securities with the Commission; and/or
- d) Failure to distribute at least ninety (90%) of its Distributable Income required under the Act.

The above events, however, shall be subject to a Thirty (30) day curing period from the time of the occurrence of the event. Compliance by the REIT within the curing period shall be determined by the Commission and such determination shall be immediately communicated to the BIR.

Section 4. Issuance and Transfer of Investor Securities.

- a) The original issuance of Investor Securities shall be subject to DST under the NIRC, as amended;
- b) Any sale, barter, exchange or other disposition of listed Investor Securities through the Exchange, including block sales or cross sales with prior approval from the Exchange shall be subject to the stock transaction tax imposed under the NIRC;
- c) Any sale, barter, exchange or other disposition of listed Investor Securities through the Exchange, including cross or block sales with prior approval from the Exchange shall be exempt from the DST prescribed by the NIRC; and
- d) Any initial public and secondary offering of investor securities shall be exempt from the IPO tax imposed under the NIRC.

Section 5. Dividends Paid by REITs. Cash or property dividends paid by a REIT shall be subject to a final tax of ten percent (10%), unless –

- a) the dividends are received by a non-resident alien individual or a non-resident foreign corporation entitled to claim a preferential withholding tax rate of less than ten percent (10%) percent pursuant to an applicable tax treaty; or
- b) the dividends are received by a domestic corporation or resident foreign corporation.

Overseas Filipino investors are exempt from the dividends tax for seven (7) years from the effectivity of the tax regulations implementing the Act.

Rule 10 - Taxes (continued)**Section 6. VAT on Gross Sales or Gross Receipts of REITs.**

- a) The gross sales from any disposal of real property or gross receipts from the rental of such real property shall be subject to VAT;
- b) A REIT shall not be considered as a dealer of securities and shall not be subject to VAT on its sale, exchange or transfer of securities forming part of its real estate related assets.

Section 7. General Application of the NIRC. Unless otherwise provided under the Act, the internal revenue taxes under the NIRC shall apply.

Section 8. Delisting of the REIT and Revocation of Tax Incentives. The tax incentives granted under the Act shall be ipso facto revoked and withdrawn as of the date of the delisting becomes final and executory in the event the REIT is delisted from the Exchange whether voluntarily or involuntarily for failure to comply with the provisions of the Act or any of these Rules.

Any tax incentive that has been availed of by the REIT thereafter shall be refunded to the Government within ninety (90) days from the date when the delisting becomes final and executory and the surcharge and penalty shall apply. This shall be without prejudice to the penalties to be imposed by the BIR.

If the delisting is for causes highly prejudicial to the interest of the investing public such as violation of the disclosure and related party transactions of the Act or insolvency of the REIT due to mismanagement or misappropriation, conversion, wastage or dissipation of its corporate assets, the responsible persons shall refund to its investors at the time of final delisting the book value/acquisition cost of their shares.

Rule 11 - Miscellaneous Provisions

No provision

SEC. 4. Administrative Sanctions. **The Commission shall, in its discretion, impose sanctions provided by law in the event of violation of any provision of the REIT Act, or this Rule or any applicable rules under the SRC and its respective IRR.**

Sec. 5. Sanctions on Circumvention. **Any circumvention of the REIT Act and this IRR shall be subject to the appropriate penalty.**



IMPORTANT NOTE

Please check the full text of the Revised Implementing Rules and Regulations of Republic Act No. 9856, or the Real Estate Investment Trust Act, as provided in SEC Memorandum Circular No. 1, Series of 2020 for more definitive guidance. Scan the QR Code or follow the link below:

<http://www.sec.gov.ph/public-information-2/sec-issuances/securities-and-exchange-commission-memorandum-circulars/by-year/>