Real Estate Investment Trust: Bane or Boon to Real Estate Industry?

Victorino C. Mamalateo
Mary Joy B. Mamalateo-Jusay
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The Article provides a comprehensive discussion of the Real Estate Investment Trust (REIT) and the REIT Act of 2009, a recent addition to the regulations concerning taxation in the Philippines. The REIT bears with it many significant trade-offs and incentives and is seen through its growth worldwide. The REIT is a stock corporation that is established under the Corporation Code of the Philippines and the rules of the Securities and Exchange Commission (SEC).

The Article begins with the primary objective of the REIT law, and later on enumerates the qualifications of corporations and investors who may avail of the benefits provided by it. In addition, certain portions of the Tax Code have been taken into account vis-à-vis the REIT Act which contains several references to the former. The Article provides for the necessary computations of Corporate Income Tax due, both using the system of the REIT and without, to demonstrate further the benefits under the law.

Also, the Article explains the effect of tax regulations on the sale or any disposition of securities, as well as the cash or property dividends paid by the REIT through the Exchange process provided by such law. Furthermore, the Article states the subjection of the REIT under the Value-Added Tax imposed under the Tax Code, distinguishing the types of transactions which are not to be included under such. It has been noted by the Authors that while the REIT provides benefits to the private sector handled by the SEC due to its ability to provide transparency for tax reporting, the more conservative view notes that the REIT law could impair the tax collection efforts of the Government.