

Property Fund V. REIT

Property Fund

According to Securities and Exchange Act B.E. 2535, the property fund (Fund I) is in a status of juristic person. The fund was established in order to spend the received money from fund units' sales for buying or renting properties and managing the properties. The main purpose is to gain consistent profit in the form of rental fee; without purchasing properties for developing and resells. The return of income from the properties' management shall be allotted to unitholders in the form of profit shares.

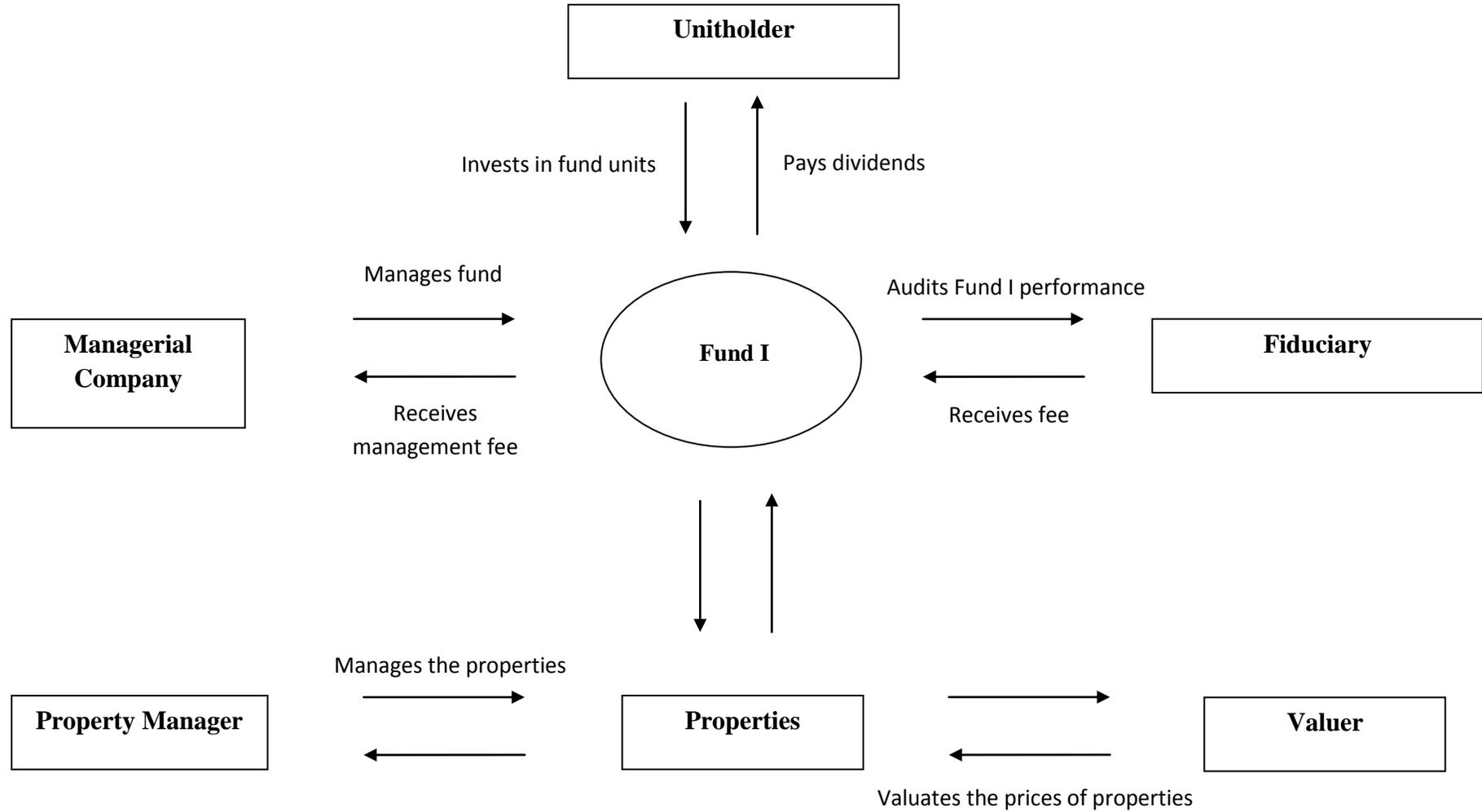
Real Estate Investment Trust: REIT

According to Trust for Transactions in Capital Market Act B.E. 2550, REIT is a trust which is invested in properties. REIT is not in a status of juristic person as the property fund. This trust shall be invested, not lower than THB 500 million, in the properties. The properties' ownerships shall be held by a trustee who has responsibilities to manage the properties. Moreover, the trustee shall perform as a trust manager for benefits of unitholders. The unitholders are beneficiaries. REIT is operating under the Securities and Exchange Commission of Thailand's supervision.

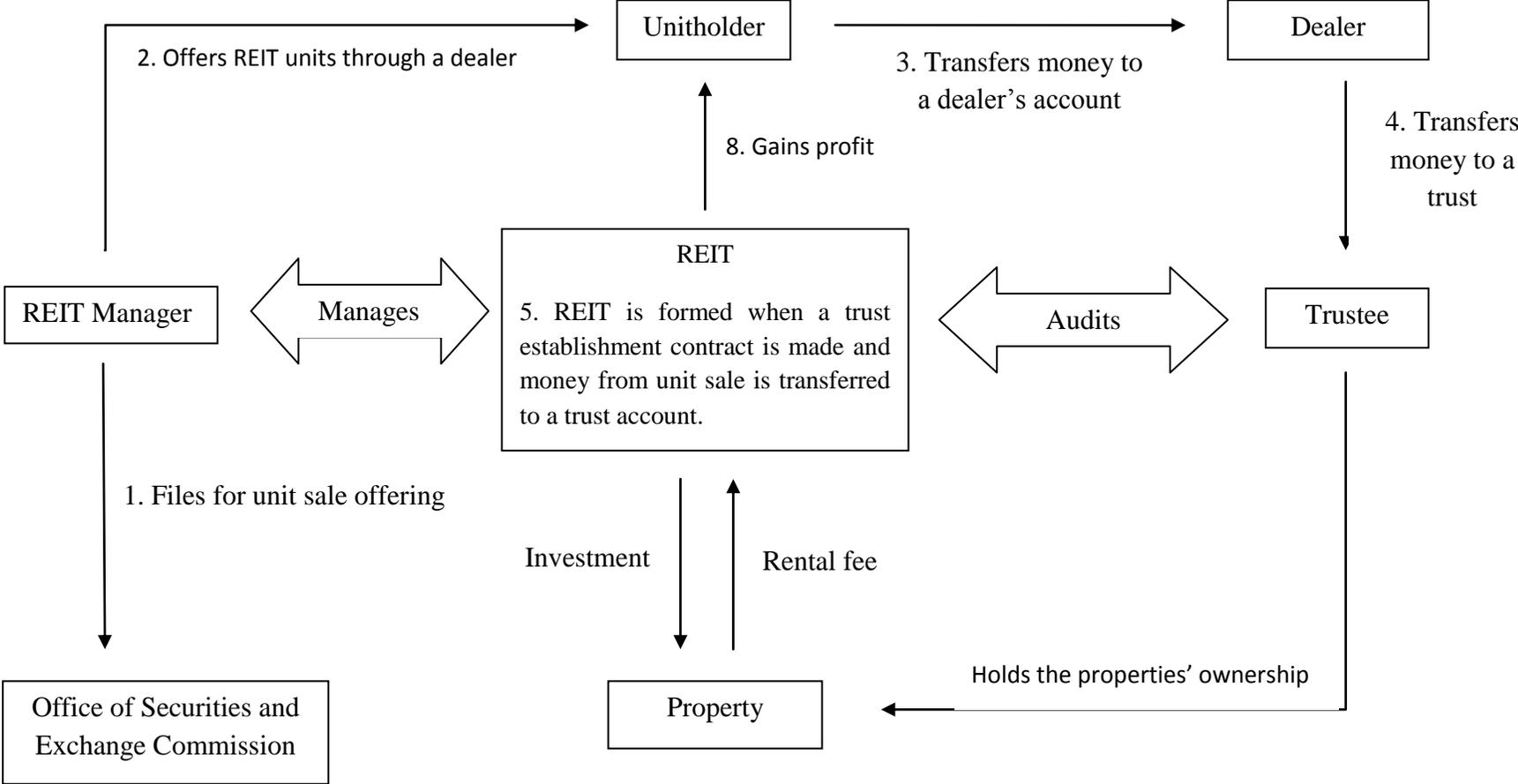
Differences between Property Fund and REIT		
1. Law	Securities and Exchange Act B.E. 2535	Trust of Transactions in Capital Market Act B.E. 2550
2. Legal Status	Juristic Person	Properties
3. Manager	Company	Trustee
4. Properties' ownership	Property Fund	Trustee
5. Contractor name	Property Fund	Trustee *In case REIT, REIT manager might be authorized from trustee to make a contract.
6. Property Keeper	Fiduciary	Trustee
7. Bankruptcy	Yes	No
8. Property Protection	If the fiduciary is bankrupt, some fund's properties might be included among the fiduciary's bankruptcy properties.	If the trustee is bankrupt, the REIT shall be ring fenced from the trustee's bankruptcy properties.

Note: Information from SEC

Property Fund



REIT Structure and Establishment



Tax Burdens on Property Fund, REIT, and Investor

1. Tax Burdens on Property Fund and Real Estate Investment Trust

Types of Taxes	Property Fund	Real Estate Investment Trust (REIT)*
a. Corporate Income Tax	-	-
b. Value Added Tax	Exempted by article 3(9) and 4(7), Royal Decree No. 239	Taxed
c. Specific Business Tax	Exempted by article 3(10), Royal Decree No. 240	Taxed
d. Stamp Duty	Exempted by article 6(28), Royal Decree No. 10	Taxed

*Note: In a case of changing trustee by a trust forming contract, the properties transfer or establishment of property right or any other right between trust founder and trustee, or trustee and trustee shall be exempted Income tax, Value added tax, Specific business tax, and Stamp duty by article 7, Royal Decree No. 533.

Tax Burdens of Investor on Property Fund and Real Estate Investment Trust

Types of Taxes	Property Fund	Real Estate Investment Trust (REIT)
a. Personal Income Tax	<p><u>Dividend is a distribution of profit. So, the dividend is an assessable income in accordance with Section 40(8), Revenue Code.</u></p> <ul style="list-style-type: none"> - An individual is a Thai domicile: he or she shall be exempted by article 3, Royal Decree No. 262. A payer of income has a responsibility to deduct personal income tax from assessable income at 10 percent in accordance with Section 50(2), Revenue Code. - In a case of non-domicile individual, a payer of income does not have any responsibility to deduct the personal income tax. 	<p><u>Distributed income is a distribution of profit, which was paid by a trustee to trust certificate holder. So, the distributed income is an assessable income in accordance with Section 40(4)(b), Revenue Code.</u></p> <ul style="list-style-type: none"> - Individual: a payer of income has a responsibility to deduct personal income tax from assessable income at 10 percent in accordance with Section 50(2)(e), Revenue Code.
b. Corporate Income Tax	<ul style="list-style-type: none"> - Thai company and listed company shall be exempted by article 3, Royal Decree No. 263. A payer of income does not have any responsibility to deduct the corporate income tax. (Condition: only for 3 months unit holding) - In case of a foreign company not incorporated in Thailand, a payer of income does not have any responsibility to deduct the corporate income tax in accordance with Section 70, Revenue Code. 	<ul style="list-style-type: none"> - Thai Company: a payer of income has a responsibility to deduct the corporate income tax at 10 percent in accordance with clause 5, Notification of the Revenue Department No. Tor Por 4/2528. - In case of a foreign company not incorporated in Thailand, a payer of income has a responsibility to deduct the corporate income tax at 10 percent and remit it to the determined place in accordance with Section 70 of Revenue Code.

Types of Taxes	Property Fund	Real Estate Investment Trust (REIT)*
<p>a. Personal Income Tax</p> <p>b. Corporate Income Tax</p>	<p><u>Capital gains are a profit from unit sale. So, the capital gains are an assessable income in accordance with Section 40(8), Revenue Code.</u></p> <ul style="list-style-type: none"> - A individual is exempted by Clause 2(32), Ministerial Regulation No. 126. - Thai company and listed company corporate in Thailand: the capital gains shall be included to calculate the net profit. - In case of a foreign company not incorporated in Thailand: a payer of income does not have any responsibility to deduct the corporate income tax in accordance with Section 70, Revenue Code. 	<p><u>Capital gains are a profit from trust certificate transfers. So, the capital gains are an assessable income in accordance with Section 40(4)(f), Revenue Code.</u></p> <ul style="list-style-type: none"> - A individual is exempted by Clause 2(32), Ministerial Regulation No. 126. - Thai company and listed company corporate in Thailand: the capital gains shall be included to calculate the net profit. - Even though a foreign company is not incorporate in Thailand: a payer of income has a responsibility to deduct the corporate income tax at 15 percent in accordance with Section 70, Revenue Code.