EPRA REPORTING

European Public Real Estate Association

Global REIT Survey 2016

ASIA

Japan – J-REIT

A COMPARISON OF THE MAJOR REIT REGIMES AROUND THE WORLD

1 General introduction

	Enacted year	Citation	REIT type
J-REIT	2000	Investment Trust and Investment Corporation Law.	Trust or corporate type (in practice, corporate type).

History

A REIT in Japan is known as a Japanese Real Estate Investment Trust (J-REIT). It was introduced with the amendment to the Investment Trust and Investment Corporation Law in November 2000 (Investment Trust Law or 'ITL'). The ITL provides for two different types of investment vehicle: 'investment trusts' and 'investment corporations *(toshi hojin)*'. To date, all J-REITs have been formed as investment corporations and therefore, only this type of structure will be discussed below. The ITL adopts an external management structure for J-REITs, whereby the relevant investment corporation does not have employees and must enter into contracts with a registered asset management company.

Under tax law, a corporate type J-REIT is subject to Japanese corporate tax at an effective tax rate of around 35%. However, a J-REIT can deduct dividends distributed to its shareholders from its taxable income if the J-REIT complies with certain tax law requirements, as discussed further below.

The first two J-REITs were listed on the Tokyo Stock Exchange ("TSE") in September 2001, sponsored by two of the largest real estate corporations in Japan. The number of listed J-REITs increased and the J-REIT market expanded significantly until the 2007 financial crisis. The Tokyo Stock Exchange REIT INDEX ('TSE REIT INDEX') peaked at 2,612.98 on May 01, 2007 and fell to its lowest level at 704.46 on October 01, 2008. As of July 15, 2016, TSE REIT INDEX was at 1849.16 points.

In the second half of year 2015, three new REITs have been listed on the TSE. Japan Senior Living Investment Corporation was listed on July 29, 2015, Nomura Real Estate Master Fund, Inc. was listed on October 2, 2015 and Ichigo Hotel REIT Investment Corporation was listed on November 30, 2015.

In 2016, four more new REITs have been listed on the TSE. LaSalle LOGIPORT REIT was listed on February 17, 2016, Star Asia Investment Corporation was listed on April 20, 2016, Marimo Regional Revitalization REIT Inc. was listed on July 29, 2016 and Mitsui Fudosan Logistics Park Inc. was listed on August 2, 2016. As a result, 56 J-REITs are now listed on the TSE. As of July 15, 2015, the total market capitalisation of J-REITs was JPY 11,639 billion.

In 2015, the total amount of assets acquired by all J-REITs amounted to JPY 1,589 billion (2,233 billion in 2013 and 1,575 billion in 2014).

Furthermore, the total amount of new J-REIT unit offerings in 2015 was JPY 763 billion (1,107 billion in 2013 and 778 billion in 2014).

Sector summary (FTSE EPRA/NAREIT Developed REITs)*

Listing Country	Number of REITs	Number in EPRA REIT Index	Sector mkt cap (EUR€m)	% of Global REIT Index
Japan	56	33	€ 102.695	7.43%

Top five REITs*

Company name	Mkt Cap (EUR€m)	1 yr return (EUR€) %	Div Yield %	% of Global REIT Index
Nippon Building Fund Inc	€ 7.844	16.68%	2.59%	0.68%
Japan Real Estate Investment Corporation	€ 6.892	12.82%	2.60%	0.59%
Nomura Real Estate Master Fund	€ 5.607	16.06%	0.58%	0.48%
Japan Retail Fund Investment	€ 5.416	7.16%	3.33%	0.49%
United Urban Investment	€ 4.525	9.58%	3.11%	0.39%

* All market caps and returns are rebased in EUR and are correct as at 29 July 2016. The Global REIT Index is the FTSE EPRA/NAREIT Global REITs Index. *EPRA, August 2016.*

2 Requirements

2.1 Formalities / procedure

Key requirements
- Building Lots and Building Transactions Agent Licence. - Discretionary Transaction Agent Licence. - Registration of the Asset management company with the Financial Services Agency. - Registration of the J-REIT with the Financial Services Agency.

As stated above, J-REITs are typically investment corporations that must be managed by a registered asset management company. As of September 2007, new comprehensive regulations in the form of the Financial Instruments and Exchange Law ('FIEL') came into effect to regulate financial services. Although the regulations under the ITL continue to apply to J-REITs, the FIEL supersedes a part of the ITL with respect to regulating the asset management company of an investment corporation.

Under the FIEL, an asset management company must be registered as an investment manager. As such, the FIEL replaced the previous approval process with a new registration process. However, this process is relatively similar to the former approval procedures.

The first step for a sponsor of the J-REIT is establishing an asset management company and acquiring a ‘Building Lots and Building Transactions Agent Licence’ and a ‘Discretionary Transaction Agent Licence’ from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). After these licences are obtained, the asset management company may apply for registration as an investment manager with the FSA. The requirements for the investment manager registration include a minimum paid-in-capital/net assets of JPY 50 million and sufficiently experienced personnel. Once the registration is completed, the registered Asset Management Company can begin incorporating a J-REIT as a promoter of the investment corporation and register a new company on the commercial register.

After the J-REIT is set up, it must be registered with the FSA in order to commence its business as a J-REIT. The J-REIT will be subject to the reporting and inspection requirements of the FSA, Securities and Exchange Surveillance Commission and the local finance bureau.

2.2 Legal form / minimum share capital

Legal form	Minimum share capital
Corporation (in practice)	JPY 100 million

Legal form

A J-REIT must be established as a domestic corporation in compliance with the ITL. As previously stated, a J-REIT can either be a 'trust type' or a 'corporate type' under the ITL. When the first J-REITs were formed, the trust type was administratively cumbersome and more expensive to establish. In addition, the corporate governance rules applicable to the corporate type were considered to be more attractive to investors. As a result as of July 15, 2016, all current publicly listed J-REITs are corporations.

Minimum share capital

J-REIT shares have only one class with voting rights. The minimum share capital for a J-REIT is JPY 100 million under the ITL.

2.3 Shareholder requirements / listing requirements

Shareholder requirements	Listing mandatory
- No requirements under the Investment Trust Law (ITL). - Special shareholder conditions in order to deduct dividend distribution under the tax law.	No

Shareholder requirements

There are no shareholder requirements under the ITL. However, in order to benefit from the J-REIT privilege of deducting distributed dividends for tax purposes, specific shareholder conditions must be met.

Listing requirements

As there is no requirement for a J-REIT to be listed on a stock exchange, under the ITL and tax rules, it is possible to have a private J-REIT.

After J-REITs were introduced under the ITL in 2000, the Tokyo Stock Exchange established the infrastructure for a J-REIT market in March 2001. The listing requirements for J-REITs include the following:

1. The J-REIT under the ITL must be a close-ended fund;
2. At least 70% of the J-REIT's investment assets must be invested in, or expected to be invested in, real estate assets, including (1) real estate, (2) leasehold rights in real estate, (3) surface rights, (4) easement, and (5) trust beneficiary interest and in the case of items (1) – (4) for three months after its listing; provided that the J-REIT submits prior to approval of listing certain documents such as a copy of an sale and purchase agreement under which the J-REIT would acquire real estate assets;
3. At least 95% of the J-REIT's total assets must be invested, or expected to be invested, in real estate assets, assets relating to real estate assets (e.g. a share in an investment corporation who invests more than half of its assets in real estate assets), cash and cash equivalents;
4. Net assets and total assets must exceed JPY 1 billion and JPY 5 billion, respectively;
5. Minimum free-float requirements (at the time of the initial listing):
   (1) The number of outstanding shares should be 4,000 shares or more
   (2) The total number of shares held by the "10 largest J-REIT shareholders" should be 75% or less of the total outstanding shares.
   (3) The number of shareholders other than the "10 largest J-REIT shareholders" should be 1,000 or more.

*The listing rule previously required the real estate, described in point 2 above, to be located in Japan. However, such restrictions were removed due to amendments to the TSE listing rules as of May 2008. As such, J-REITs are allowed to invest in foreign real estate.

2.4 Asset level / activity test

Restrictions on activities / investments
- Merely an asset holding vehicle. - Investment primarily in 'Qualified Assets'.

Under the ITL, a J-REIT is established for investments primarily in 'Qualified Assets'. In principle, a J-REIT is merely an asset holding vehicle; it is not allowed to hire employees and it is required to delegate asset management, asset custody and general administrative functions to independent professionals.

'Qualified Assets' include (1) securities (including trust beneficiary interests), (2) derivatives rights, (3) real estate, (4) leasehold rights in real estate, (5) surface rights, (6) promissory notes, (7) monetary claims, (8) interests in a *tokumei kumiai* (TK) partnership which are not securities, (9) commodities, (10) certain commodities derivatives, (11) renewable energy generating plants and (12) public facility operation rights. "Primarily" means more than 50% of the total assets.

Renewable energy generating facilities and rights to operate public facilities were included in "Qualified Assets" in 2014 in order to facilitate investments in infrastructure assets.

Under the ITL, a J-REIT cannot own more than 50% of the voting shares of another corporation. However, an amendment to the ITL was enacted in 2013 and became effective in 2014, making this restriction inapplicable where a J-REIT acquires more than 50% of the voting shares in a company located in a foreign jurisdiction whose sole purpose is to acquire, lease and dispose of real estate in that jurisdiction as long as such company pays the J-REIT certain dividends which are distributable to the J-REIT under the laws or customs of the jurisdiction within six months of the end of each fiscal year of the company. This is provided that the laws of the jurisdiction or customs where the real estate is located or other unavoidable circumstances prohibit the J-REIT from conducting such transactions itself.

Furthermore, in order to deduct distributed dividends for tax purposes (see no. 3.1 B f and g below) there is a restriction (i) on owning an interest of 50% or more in another corporation and (ii) on owning certain assets, such as renewable energy generating facilities and concessions to operate public facilities, in an amout of 50% or more of the total book value of assets on the J-REIT's balance sheet as of the end of the fiscal period. However, as a result of the amendment to the ITL enacted in 2013, certain foreign corporations held by a J-REIT for the limited purposes of acquiring, leasing and disposing of foreign real estate will be excluded from this restriction for fiscal years ending after the amendment of the ITL comes into force.

As discussed under paragraph 2.3 above, the listing rules of the Tokyo Stock Exchange also have asset holding requirements (See paragraph 2.3, points 2 and 3).

2.5 Finance

Finance
J-REITs can issue shares and bonds and borrow funds from financial institutions

Under the ITL, there are three methods for J-REITs to procure finance: (1) issuing shares, (2) issuing bonds and (3) borrowing from financial institutions. As the framework of J-REITs is primarily intended to enable equity investors to invest in real estate through them, (1) is the fundamental financing method and (2) and (3) supplement it, in particular by improving the capital efficiency through leverage effects.

In order to diversify the financing methods and capital policy of J-REITs and eventually to enhance their financial bases, the ITL amendment introduced frameworks such as "Rights offering" and "Repurchase by a J-REIT of its own shares".

- Rights offering
- Rights offering is a financing method whereby (i) a J-REIT issues share acquisition rights to existing shareholders for no consideration and (ii) the shareholders subscribe for such shares in the J-REIT by exercising their rights. The advantages of a rights offering includes:
  - J-REIT being able to raise capital without diluting existing shareholders' shares; and
  - it can be a relatively feasible financing option under severe economic conditions (e.g., prevailing shrinking of credit).
- Repurchase by a J-REIT of its own shares

Although under the original ITL a repurchase by a J-REIT of its own shares was prohibited, the amendment to the ITL removed this restriction in respect of a J-REIT which primarily invests in real estate, leasehold rights in real estate, surface rights, trust beneficiary interests in these assets or more than 50% of the shares in a company located in a foreign jurisdiction whose sole purpose is to acquire, lease and dispose of real estate in that jurisdiction. Share repurchase is thought to be an effective measure for enhancing J-REIT's financial base by improving the capital efficiency, among other things.

2.6 Leverage

Leverage
No gearing (LTV) limit under the law. May only receive loans from qualified institutional investors.

Under the ITL, there is no restriction concerning borrowings or gearing ratio. Typically, the J-REIT provides a limitation on the gearing ratio (LTV ratio) of approximately 55% to 60% of loan to total assets ratio, in its financial policy disclosed in the annual securities report.

In order to deduct distributed dividends under Japanese tax law, J-REITs may not receive loans from lenders other than institutional investors. The institutional investors for this purpose generally include securities companies, banks, insurance companies, pension funds, etc. However, the scope of such “institutional investors” is narrower than as provided in the FIEL.

2.7 Profit distribution obligations

Ordinary income	Capital gains	Timing
Greater than 90% of “distributable profits”.	Same as ordinary income.	In relation to the same taxable period.

Under the Japanese Special Taxation Measures Law, in order to deduct distributed dividends in a specific taxable period a J-REIT is required to comply with a number of conditions. One such condition is that a J-REIT is required to make a distribution to its investors in relation to the same taxable period of more than 90% of its distributable profits, which is an amount based on accounting profits with certain adjustments. Capital gains are not distinguished from ordinary income and therefore form part of taxable income which can be mitigated through a deduction for dividends. Although there is no minimum distribution requirement under the ITL, as a procedural issue, the ITL requires that a distribution only be made based on the approval of a Directors' meeting of its audited financial statements for each relevant fiscal period. A fiscal period of a J-REIT is generally six months and the taxable period of a J-REIT is ordinarily consistent with its fiscal period. No advance distribution is allowed under the ITL.

2.8 Sanctions

Penalties / loss of status rules
- Regulatory action. - Cannot deduct dividend distribution.

In principle, a J-REIT is created under the ITL and is required to register with the FSA in order to operate its business as a J-REIT. If a J-REIT does not comply with the ITL, a J-REIT may ultimately be disallowed. All activities of a J-REIT are subject to regulatory scrutiny, and any deviation may result in regulatory action including an order to improve or withdrawal of the licence.

Even if the listing requirements or the dividend deduction requirements are not met, the J-REIT status can remain. However, a J-REIT properly operated under the ITL should comply with all listing requirements on the Tokyo Stock Exchange (see 2.3) in order to continue being listed, in addition to all dividend deduction requirements under tax law in order to deduct its distributed dividends for each relevant taxable period.

3 Tax treatment at the REIT level

3.1 Corporate tax / withholding tax

Ordinary income	Capital gains	Withholding tax
- Corporate tax at an effective rate of approximately 35% - Dividends are deductible from taxable income under certain conditions.	- Not distinguished from ordinary income.	- Varies depending on the specific circumstances of the shareholder.

Ordinary income

Japanese corporations are subject to corporate income taxes at an effective rate of approximately 35%. Rental income, business income and capital gains are not distinguished from ordinary income for Japanese corporate tax purposes and are taxed aggregately at the effective tax rates discussed above.

Under the Special Taxation Measures Law, however, a J-REIT is allowed to deduct distributed dividends from its taxable income if all of the following requirements are met. Any remaining taxable income after the deduction of distributed dividends will be subject to regular corporate taxes in Japan.

The requirements for deducting dividend distributions are as follows[1]:

A. Requirements for an eligible J-REIT:

a. The J-REIT must be registered under Article 187 of the ITL;

b. Either of the following conditions must be met:

   i. There must be a public offering of the J-REIT shares with a total issue price of JPY 100 million or more at the time the J-REIT is established;

   ii. The outstanding shares must be owned by at least 50 shareholders or exclusively by qualified institutional investors at the end of the relevant fiscal period;

c. The articles of incorporation provide that more than 50% of the shares must be offered domestically (this requirement is calculated on an aggregated basis for all issuances, including past issuances); and

d. The J-REIT must have a fiscal period of one year or less.

B. Requirements relating to the applicable fiscal year:

a. The J-REIT must not engage in any business other than asset management, open any place of business other than its head office, or hire any employees;

b. The asset management function must be outsourced to a qualified asset manager as defined in Article 198 of the ITL;

c. The custody function for the assets owned by the J-REIT must be outsourced to a qualified custodian as defined in Article 208 of the ITL;

d. None of the shareholders or its affiliates must collectively hold more than 50% of the outstanding shares or voting rights at the end of the relevant fiscal period;

e. More than 90% of its “distributable profits” as defined in the Special Taxation Measures Law must be distributed in respect of the same fiscal period (in determining whether this requirement is met, adjustments to the calculation basis can be made in respect of changes (increases or decreases) to a reserve for temporary differences arising between tax and accounting treatments as well as in respect of a reserve for negative net asset item adjustments (e.g. deferred hedging losses); these adjustments mitigate risk of a failure to meet this distribution requirement due to differences between the tax and accouting treatment of income or expenses);

f. The J-REIT must not hold 50% or more of the equity of another corporation (including another J-REIT), except for certain foreign corporations held for the limited purpose of acquiring, leasing and disposing of foreign real estate;

g. As of the end of the fiscal period, the amount of certain assets as specified under the Enforcement Order of the ITA, such as real estate and related trust certificates except certain renewable energy generating facilities and concessions to operate public facilities, is in excess of 50% of the book-value of total assets on the J-REIT’s balance sheet; and

h. The J-REIT must not have borrowings from parties other than “institutional investors”, as defined in the Special Taxation Measures Law.

Accounting rules

A J-REIT must comply with Japanese accounting rules (J-GAAP) and, as a general principle, can only make a dividend distribution from profits calculated based on J-GAAP, although in certain circumstances a J-REIT may be permitted to make an excess distribution of profits in accordance with special provisions of the ITL.

Neither US-GAAP nor IFRS is allowed for a J-REIT. A J-REIT’s financial statements are prepared on a single-entity basis only since it generally cannot own subsidiaries.

3.2 Transition regulations

Conversion into REIT status
N/A

[1] Article 67-15, the Special Taxation Measurement Law

3.3 Registration duties (and other key taxes)

Registration duties (and other key taxes)
- Real property acquisition tax (favourable rate can be applied). - Registration tax (favourable rate can be applied). - Consumption tax. - Fixed asset tax and city planning tax.

Real property acquisition tax and registration tax are levied on an acquisition of real estate. Such taxes can be reduced under special treatment applicable to J-REITs that can satisfy certain requirements.

The sale of a building is a taxable transaction for Japanese consumption tax purposes, but the sale of land is not. Additionally, leasing of real estate for commercial purposes is a consumption taxable transaction, whilst leasing of residential purpose real estate is not.

Fixed asset tax is levied based upon the government assessed values of land and buildings owned at January 01 each year. City planning tax may similarly be levied depending upon location. Separately identified depreciable assets within a building should also be subject to fixed asset tax.

4 Tax treatment at the shareholder level

The tax treatments in the Domestic shareholder and Foreign shareholder sections below relate to listed J-REITs.

4.1 Domestic shareholder

	Corporate shareholder	Individual shareholder	Withholding tax
Dividends	- Included in taxable income subject to the standard effective corporate tax rate. - Dividend received deduction (DRD) not applicable. - Credit should ordinarily be available for withholding tax suffered on the dividend against the corporate tax liability, with any excess refunded.	- In principle subject to inclusion in taxable income subject to progressive income tax rates, however taxpayers typically elect to be separately taxed through withholding tax only.	Corporate shareholder - 15.315% withholding tax (to 2037, and 15% thereafter). Individual shareholder - 20.315% withholding tax (to 2037, and 20% thereafter).
Capital gains from share disposition.	- Included in taxable income subject to the standard effective corporate tax rate.	- Subject to taxation separately from other income, to which progressive income tax rates apply, at 20.315% until 2037 (and 20% thereafter).	- N/A

Corporate shareholder
Dividends
For corporate shareholders, dividends from a listed J-REIT are subject to Japanese withholding tax at a tax rate of 15.315% (until 2037 when the rate becomes 15%). Dividend income is aggregated with other income and is subject to tax at the normal effective corporate tax rate of approximately 35%. The withholding tax can typically be credited against corporate income tax liability, with any excess amount to be refunded. Unlike dividends from ordinary Japanese companies, dividends from a J-

REIT do not qualify for the dividend received deduction since they are tax deductible in the hands of the J-REIT.

Capital gains
Capital gains are not distinguished from ordinary income and are subject to corporate tax at the normal effective corporate tax rate. There is no withholding tax on capital gains arising from the disposition of J-REIT shares.

Individual shareholder
Dividends
Although the basic principle is that dividends from a listed J-REIT must be reported in a tax return and aggregated with other types of taxable income, most taxpayers choose to have them taxed separately from ordinary income. As such, standard progressive tax rates will be applicable, by way of a final flat rate withholding tax, as described below.

For individual shareholders, dividends from a listed J-REIT are subject to Japanese withholding tax at a rate of 20.315% (until 2037 when the rate becomes 20%). Individual shareholders can elect to have the dividends taxed separately from ordinary income, typically with the final tax liability constituting the withholding tax incurred by the shareholder. However, individual shareholders owning 3% or more of the total outstanding shares of a J-REIT as of the record date must be taxed on the dividends through aggregation with ordinary income based on the standard progressive tax rates. On the other hand, the withholding tax rate for such taxpayers, which is generally creditable against the final income tax liability, should be 20.42% (until 2037, and 20% thereafter).

Capital gains
Capital gains from a disposition of listed J-REIT shares through a securities company is subject to individual income tax separately from ordinary income. The standard progressive tax rates will apply at the rate of 20.315% (until 2037 from when the tax rate becomes 20%). This tax is usually paid by filing a tax return, with certain exceptions for qualified securities account holders, who pay the tax through withholding from the qualified account.

Withholding tax
For corporate shareholders, dividends from a listed J-REIT are subject to withholding tax at the rate of 15.315% (until 2037 when the rate becomes 15%). The withholding tax can typically be credited against the corporate income tax liability, with any excess amount to be refunded.

For individual shareholders, dividends from a listed J-REIT are subject to withholding tax at the rate of 20.315% (until 2037 when the rate becomes 20%). However, individual shareholders owning 3% or more of the total outstanding shares of a J-REIT as of the record date are subject to withholding tax at 20.42% until 2037, and 20% thereafter.

4.2 Foreign shareholder

This section relates to shareholders who are not tax residents in Japan and who have no taxable permanent establishment (PE) in Japan. Foreign shareholders with a Japanese PE should generally be taxed in a similar manner as discussed in the Domestic shareholder section above.

	Corporate shareholder	Individual shareholder	Withholding tax
Dividends	- Withholding tax is the final levy for foreign corporate shareholders.	- Withholding tax is the final levy for foreign individual shareholders.	Corporate shareholder - 15.315% withholding tax (to 2037, and 15% thereafter). - May benefit from tax treaties. Individual shareholder - 15.315% withholding tax (to 2037, and 15% thereafter). - May benefit from tax treaties.
Capital gains from share disposition	- Taxed in limited cases only for foreign corporate shareholders. - Subject to national corporation taxes only at a rate of approximately 25% (see detail below). - May benefit from tax treaties.	- Taxed in limited cases only for foreign individual shareholders. - Taxed at 15.315% (until 2037, and 15% thereafter). - May benefit from tax treaties.	- N/A

Corporate shareholder

Dividends

For foreign corporate shareholders without a PE in Japan, dividends from a listed J-REIT are subject to a final withholding tax at a tax rate of 15.315% (until 2037 when the rate becomes 15%). Such shareholders are not subject to Japanese corporate income tax on dividend income. The rate of withholding tax could be reduced or exempted by application of a relevant double tax treaty.

Capital gains

Capital gains arising from a disposition of J-REIT shares are not subject to withholding tax. A J-REIT is treated as a Japanese Real Property Holding Corporation (JRPHC) if at least 50% of its total assets consist of real estate located in Japan, which is typically expected to be the case with a J-REIT. Foreign corporate shareholders without a PE in Japan are only subject to Japanese corporate tax on the capital gain arising from a disposition of shares of a J-REIT that is a JRPHC if on the day immediately preceding the first day of the taxable year during which the disposition takes place the disposing shareholder, together with its affiliates (including a partnership in which the investor is a partner) owned more than a certain percentage of the total outstanding shares of the J-REIT. The threshold percentage for listed J-REIT shares is 5%. The disposing shareholder, if taxed, must file a corporation tax return and the rate of tax is approximately 24.95%, changing to 24.43% for fiscal periods commencing on or after 1 April 2016, to 25.81% for fiscal periods commencing on or after 1 April 2017 and then to 25.59% for fiscal periods commencing on or after 1 April 2018.

Tax on capital gains arising from a disposition of J-REIT shares may be exempted from tax by application of a relevant double tax treaty.

Individual shareholder

Dividends

For foreign individual shareholders without a PE in Japan, dividends from a listed J-REIT are subject to a final withholding tax at the rate of 15.315% (until 2037 when the rate becomes 15%). However, such shareholders who own 3% or more of the total outstanding shares of a listed J-REIT are subject to a final 20.42% withholding tax (up until 2037 and 20% thereafter). The rate of withholding tax could be reduced or exempted by application of a relevant double tax treaty.

Capital gains

Foreign individual shareholders without a PE in Japan are subject to tax on capital gains arising from a disposition of J-REIT shares only in limited circumstances, similar to foreign corporate shareholders (see above). Relevant gains should be subject to individual income tax at the rate of 15.315% (until 2037 and 15% thereafter) and would necessitate the filing of a related income tax return.

Tax on capital gains arising from a disposition of J-REIT shares may be exempted from tax by application of a relevant double tax treaty. ■

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