

Publication of the draft notice on setting the requirements and conditions that must be met by a company for purposes of paragraph (b) of the definition of “REIT” in section 1(1) of the Income Tax Act, 1962

National Treasury and SARS hereby publish and invite comments in writing on the draft notice on setting the requirements and conditions that must be met by a company for purposes of paragraph (b) of the definition of “REIT” in section 1(1) of the Income Tax Act, 1962.

Please forward written comments to the National Treasury’s tax policy depository at AnnexCProposals@Treasury.gov.za and at SARS at 2026LegislationComments@sars.gov.za by close of business on **31 January 2026**.

After receipt of written comments, National Treasury and SARS will engage with stakeholders through public workshop to discuss the written comments on the draft notice. Thereafter, the notice will be published in the *Government Gazette* after considering public comments.

DRAFT
NATIONAL TREASURY

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**SETTING THE REQUIREMENTS AND CONDITIONS THAT MUST BE MET
BY A COMPANY FOR PURPOSES OF PARAGRAPH (b) OF THE
DEFINITION OF “REIT” IN SECTION 1(1) OF THE INCOME TAX ACT, 1962
(Act No. 58 of 1962)**

Under paragraph (b) of the definition of “REIT” in section 1(1) of the Income Tax Act, 1962, I, Enoch Godongwana, Minister of Finance, hereby, in the Schedule hereto, set the requirements and conditions that must be met by a company for purposes of that paragraph.

E GODONGWANA
Minister of Finance

SCHEDULE

1. Definitions

In this Schedule, unless the context otherwise indicates, any word or expression to which a meaning has been assigned in the Income Tax Act, 1962, (Act No. 58 of 1962) bears the meaning so assigned; and—

- (a) **“IFRS”** means the International Financial Reporting Standards issued by the International Accounting Standards Board;
- (b) **“insurer”** means an insurer as defined in section 29A of the Act;
- (c) **“retirement fund”** means a “pension fund”, “provident fund”, “pension preservation fund”, “provident preservation fund” or “retirement annuity fund”, as defined in section 1(1) of the Act;
- (d) **“REIT”** means a company contemplated in paragraph (b) of the definition of “REIT” in section 1(1) of the Act;
- (e) **“short-term insurer”** means a short-term insurer as defined in section 28 of the Act;
- (f) **“the Act”** means the Income Tax Act, 1962 (Act No. 58 of 1962); and
- (g) **“wholly-owned subsidiary”** means a company of which all its issued equity shares are held or controlled, alone or in any combination, by an insurer, a retirement fund, or a short-term insurer.

2. Requirements and conditions

A company meets the requirements and conditions to qualify as a REIT if—

- (a) the company is a “wholly-owned subsidiary”;
- (b) at the end of the previous year of assessment 80 per cent or more of the value of the assets, reflected in the annual financial statements prepared in accordance with the Companies Act or IFRS for the previous year of assessment, is directly or indirectly attributable to immovable property and interest in a “property company” as defined in section 25BB(1) of the Act;
- (c) at least 75% of the revenue as reflected in the statement of comprehensive income of the company is derived from rental revenue;

- (d) total liabilities or consolidated liabilities of the company is not more than 60 per cent of the total assets or consolidated assets as reflected in its latest audited or reviewed consolidated IFRS financial statements;
- (e) the company has gross assets of at least R300 million in its latest audited or reviewed consolidated financial statements.
- (f) the company qualifies for a tax deduction of distributions under section 25BB(2) of the Act on a continuous basis; and
- (g) the audit committee or a separate risk committee of the board of the company is responsible for—
 - (i) adopting and implementing an appropriate risk management policy, which policy must as a minimum:
 - (aa) be in accordance with industry practice; and
 - (bb) specifically prohibit the applicant issuer from entering into any derivative transactions that are not in the normal course of the company's business; and
 - (ii) reporting in the annual report each year that they have monitored compliance with the policy and that the company has, in all material respects, complied with the policy during the year concerned.

3. Effective date

The requirements and conditions set in terms of this Schedule will come into operation on the date of publication in the Government *Gazette* and applies to years of assessment of companies commencing after that date.