



Advance Ruling Summary No. XX/YYYY

1. Subject:

Whether the value of the supply of property management services, for which the Manager receives its fees in the form of real estate investment trust (REIT) units can be based on the cash value of the fees agreed between the Trustee and the Manager, and not on the market value of the REIT units.

2. Relevant background and facts:

The Manager is appointed by a GST-registered REIT to provide management services including setting the strategic direction and giving recommendations on the acquisition, divestment, development and/or enhancement of the REIT's assets.

In return for its services, the Manager is paid fees of which he may opt to be paid in cash or in REIT units, or a combination of both. The cash value of the fees is computed in a manner agreed upon between the Trustee of the REIT and the Manager. The fees payable are also benchmarked to market prices and similar arrangements between unrelated parties.

3. Relevant legislative provisions:

Goods and Services Tax Act (Chapter 117A) ("GSTA") – Section 17.

4. The ruling:

The value of the supply, for which the Manager is paid in REIT units, can be based on the cash value of the fee as agreed between the Trustee and the Manager.

5. Reasons for the decision:

Section 17(3) of the GST Act states that if the supply is not for a consideration or is for a consideration not consisting or not wholly consisting of money, the value of the supply shall be taken to be its open market value. Section 17(5) provides that the open market value of a supply is the monetary equivalent "if the supply were for such consideration in money as would be payable by a person who has no relationship with any person which would affect that consideration".

The Manager is not connected to the REIT/Trustee¹ and the fees are benchmarked to market prices and similar arrangements between unrelated parties. Therefore, where the Manager is paid in REIT units, the open market value of his supply of services can be taken as the cash value of the fees as agreed between himself and the Trustee.

Disclaimer

The published summary of the advance ruling is for general reference only. It is binding only in respect of the applicant of the advance ruling and the specified transaction under consideration of the advance ruling. All taxpayers should exercise caution in relying upon the published summary of the advance ruling, as the Comptroller is not bound to apply the same tax treatment to a transaction that is similar to the specified transaction.

Please note that IRAS will not update the published ruling to reflect changes in the tax laws or our interpretations of the tax laws.

¹ The REIT is personified by the Trustee and under paragraph 3(3) of the Third Schedule to the GST Act, a person in his capacity as trustee of a settlement, is connected with any individual in relation to the settlement is a settlor, with any person who is connected with such an individual and with a body corporate which is connected with that settlement.