

REAL ESTATE INVESTMENT TRUSTS: THE CURRENT STATE OF TAX RESEARCH

by

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ABSTRACT

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Background: Worldwide the Real Estate Investment Trust (“REIT”) market has grown significantly over the past few years and is playing an increasingly significant role in the property sector. The existence of the REIT structures is directly dependent on the taxation regulation thereof. In terms of the Income Tax Act, 1962 (Act 58 of 1962) (hereinafter referred to as “the Act”), a REIT can deduct from its income the amount of qualifying distributions made to the REITs shareholders. The REIT is required to distribute most of its profit as a qualifying distribution. If not, the REIT is taxed on the undistributed profit. A REIT is therefore treated partially as a conduit for income tax purposes. In South Africa the REIT structure is widely adopted with most of the listed property companies adopting this structure. Research into the effect of the taxation regulation on this sector is therefore critical to understand its efficiency and effect on society.

Main purpose of study: To provide a systematised review of academic research on the taxation of real estate investment trusts published in highly rated academic journals.

Method: Two databases were researched over the period 2007–2018 for peer reviewed articles published in an ABDC-rated journal that related to REITs and the taxation thereof. The identified articles were annotated and analysed in terms of the Taxonomy Framework included in Appendix B.

Results: We found and analysed 32 articles. Most of the studies were performed with a United States perspective focussing mainly on the investors into the REIT structures as the main benefactor to the research performed. Most of the identified articles fell into either the legislative

or financial management discipline. A key finding of the study was that only 18.75% of the identified articles directly related to the taxation regulation of REITs.

Conclusions: As the existence of REITs is fully dependent on the taxation regulation thereof, it is of critical importance that more research is required into this topic from a regulation perspective to establish the appropriateness of the current regulation in place as well as the appropriateness of the regulation for developing countries, and more specifically the South African environment.

TABLE OF CONTENT

ACKNOWLEDGEMENTS	1
ABSTRACT	2
LIST OF TABLES	7
KEY TERMS	8
LIST OF ABBREVIATIONS AND ACRONYMS	8
CHAPTER 1: INTRODUCTION	9
1.1. BACKGROUND	9
1.2. ACADEMIC FRAMEWORK	10
1.2.1. Literature overview	10
1.2.2. Rationale for the study	13
1.2.3. Main constructs	13
1.3. RESEARCH QUESTION AND OBJECTIVES	14
1.4. STRUCTURE OF THE MINI-DISSERTATION	15
1.4.1. Chapter 1: Introduction	15
1.4.2. Chapter 2: Research design and methodology	15
1.4.3. Chapter 3: Data analysis and discussion	16
1.4.4. Chapter 4: Conclusion	16
CHAPTER 2: RESEARCH DESIGN AND METHODOLOGY	17
2.1. INTRODUCTION	17
2.2. ORIENTATION OF THE RESEARCH DESIGN	17
2.2.1. Philosophical stance	18
2.2.2. Nature of the study	18
2.2.3. Method of reasoning	19
2.2.4. Time horizon	20
2.2.5. Unit of analysis	21
2.2.6. Nature of the data	21
2.3. RESEARCH METHODOLOGY	22
2.3.1. Research method	23
2.3.2. Systematised review as a research strategy	23
2.4. IDENTIFICATION AND RECORDING OF ACADEMIC ARTICLES	26

2.4.1.	Inclusion and exclusion criteria	26
2.4.2.	Keywords	27
2.4.3.	Database	28
2.4.4.	Recording of identified academic articles	28
2.5.	QUALITY ASSESSMENT OF RECORDED ACADEMIC ARTICLES	29
2.6.	SUMMARY OF RESULTS	30
2.7.	RESEARCH ETHICS	31
2.8.	CONCLUSION	32
CHAPTER 3:	DATA ANALYSIS AND PRESENTATION OF RESULTS	33
3.1.	INTRODUCTION	33
3.2.	ORIENTATION OF THE DATA-ANALYSIS TECHNIQUE	33
3.3.	PRESENTATION OF RESULTS AND DISCUSSION	35
3.3.1.	ABDC rating of journal articles	35
3.3.2.	Published year	36
3.3.3.	Perspectives	37
3.3.4.	Disciplines from which articles originate	40
3.3.5.	Tax research focus areas of the articles	41
3.3.6.	Research designs and methodologies	43
3.3.7.	Current stance of taxation legislation specific research	47
3.4.	CONCLUSION	48
CHAPTER 4:	CONCLUSION	49
4.1.	INTRODUCTION	49
4.2.	SUMMARY OF FINDINGS AND CONCLUSION	49
4.3.	LIMITATIONS	50
4.4.	FUTURE RESEARCH	50
4.5.	CONCLUDING REMARKS	51
LIST OF REFERENCES		52
APPENDIX A: ARTICLES UNDER REVIEW		54
APPENDIX B: TAXONOMY FRAMEWORK		58
APPENDIX C: DECLARATION OF PLAGIARISM		61

LIST OF FIGURES

Figure 1: Growth in REIT market capitalisation by market	11
Figure 2: REIT market cap as a percentage of listed real estate market capitalisation	12
Figure 3: Inclusion and exclusion criteria	14
Figure 4: Quality assessment: summary of results	31
Figure 5: Quantity of articles published per year.....	36

LIST OF TABLES

Table 1: Key terms used in this document	8
Table 2: Abbreviations and acronyms used in this document	8
Table 3: Inclusion and exclusion criteria	26
Table 4: Summary of keywords	27
Table 5: Databases and the nature of literature items	28
Table 6: ABDC Quality rating of the academic articles included	30
Table 7: Quality of journal articles in terms of the ABDC list	36
Table 8: Country perspectives of articles	38
Table 9: Stakeholder perspective analysis	40
Table 10: Disciplines	41
Table 11: Tax research focus areas	42
Table 12: Nature of studies performed	43
Table 13: Reasoning Stance	44
Table 14: Unit of Analysis	44
Table 15: Research Method	45
Table 16: Data collection techniques	46
Table 17: Data analysis techniques	46
Table 18: Current stance of taxation legislation specific research	48
Table 19: Journal articles analysed	55
Table 20: Taxonomy Framework	59

KEY TERMS

Table 1: Key terms used in this document

<u>Key term</u>	<u>Description</u>
Qualifying distribution	Dividend or interest paid or payable as defined in Section 25BB of the Act.

LIST OF ABBREVIATIONS AND ACRONYMS

Table 2: Abbreviations and acronyms used in this document

<u>Abbreviation</u>	<u>Meaning</u>
REIT	Real Estate Investment Trust
ABDC	Australian Business Dean Council
JSE	Johannesburg Stock Exchange
PLS	Property Loan Stock Companies
PUT	Property Unit Trusts
FSB	Financial Services Board

CHAPTER 1:

INTRODUCTION

1.1. BACKGROUND

Real estate investment trust (REIT) is an international standard which allows investors to invest in property and largely allows for tax transparent treatment. More than 25 countries in the world follow a similar REIT model to the one adopted in South Africa. The legislation in South Africa was introduced in 2013 when Section 25BB of the Act was implemented. (Miller, 2014:1).

Prior to the implementation of Section 25BB, South Africa had two possible property investment vehicles, namely property loan stock companies (PLS) and property unit trusts (PUT). These two vehicles were, however, unevenly regulated as they were regulated by two different bodies. To solve this problem the REIT regime was introduced (Miller, 2014:1).

Two types of investors in property can be distinguished, namely the indirect investor and the direct investor. The indirect investor invests into a property company who in turn invests into the underlying property. The direct investor in turn, would invest directly into the underlying property itself.

Numerous countries have implemented REIT legislation. The principal idea behind the legislation is to avoid double taxation and to secure equity among the different types of investors into real estate. The legislation places the investor who chooses to invest directly into the portfolio of property (direct segment) on an equal footing with the investor who chooses to invest into a property investment company (indirect segment) (Mazurczak, 2011:116).

A REIT is defined in the Act as a resident company which is listed on an exchange and is required to meet the criteria to be classified as a REIT in terms of the Johannesburg Stock Exchange listing requirements ("listing requirements").

In terms of the listing requirements and the Act, a REIT is required to earn at least 75% of its gross income from rental income. Although the Act does not stipulate a minimum distribution,

the listing requirements require the REIT to distribute at least 75% of the distributable profits to the shareholders of the REIT. The undistributed profits will be taxed in the hands of the REIT.

If it complies with the requirement, none of the distributions will be taxed in the REIT structure and will be included as gross income in the hands of the investor into the REIT. Double taxation is reduced as the income from the assets is only taxed once in the hands of the investor.

What is special about this structure, is that it provides immense benefit to the market by offering the man in the street the opportunity to invest directly into some of the best properties in the country. The fact that the structure is listed provides liquidity to an asset class which is extremely illiquid.

1.2. ACADEMIC FRAMEWORK

Prior to the execution of a study into Real Estate Investment Trusts, the theoretical underpinning of the study needs to be established. Sekaran (2003:30) wrote the following: "Theory formulation, the next step, is an attempt to integrate all the information in a logical manner, so that the factors responsible for the problem can be conceptualized and tested."

To integrate all the information in a logical manner, the section below provides a background to the literature overview already done on the topic. It proceeds by qualifying the rationale for the study and providing the main constructs for the study to be performed.

1.2.1. Literature overview

The first of these REIT type structures originated in 1960 in the United States from a law passed by the US Congress. The goal of legislation regarding REITs was initially to avoid double taxation of rental income on a corporate and shareholder level. The legislation places the investor into a property company in a similar position as a direct investor into the property, thereby levelling the playing field between direct and indirect segments of the property investment market (Mazurczak, 2011:116).

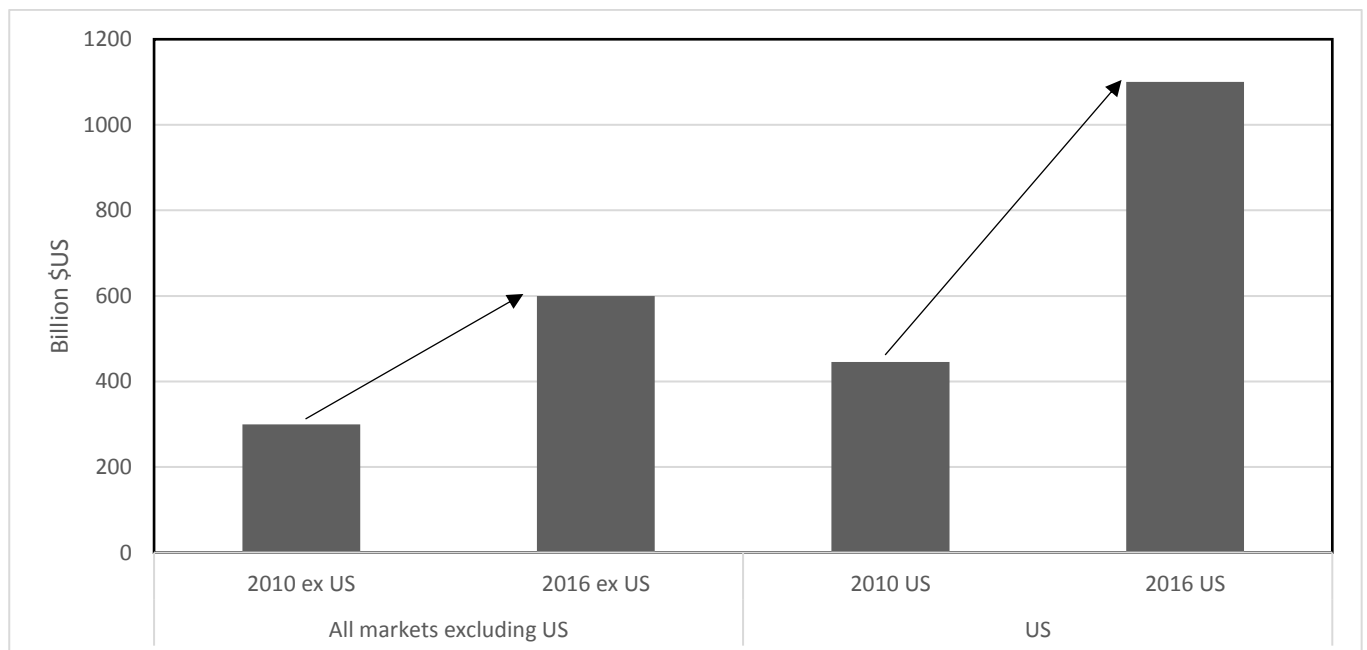
The advantages for the investor to invest into REIT type structures include (Mazurczak, 2011:116):

- Geographical and functional diversification
- Low transaction costs
- Tax exemption on the corporate level
- High investment liquidity

The importance of a study into Real Estate Investment Trusts is accentuated when one looks at the growth in the market capitalisation of the REIT market in South Africa and globally as well as the percentage market share REITs hold in relation to the total listed real estate sector. These two indicators are presented and discussed in Figures 1 and 2 below.

As at August 2016 the global market capitalisation of the REIT market grew to US\$1.7t, up from US\$734b in 2010. The market capitalisation of the US REIT market grew by 147% between 2010 and August 2016. For markets outside of the US, including South Africa, the size of the REIT market capitalisation grew by 100% between 2010 and August 2016 (EY Global Perspectives: 2016 REIT report, 2016). Figure 1 below is a graphical presentation of this growth of the REIT industry.

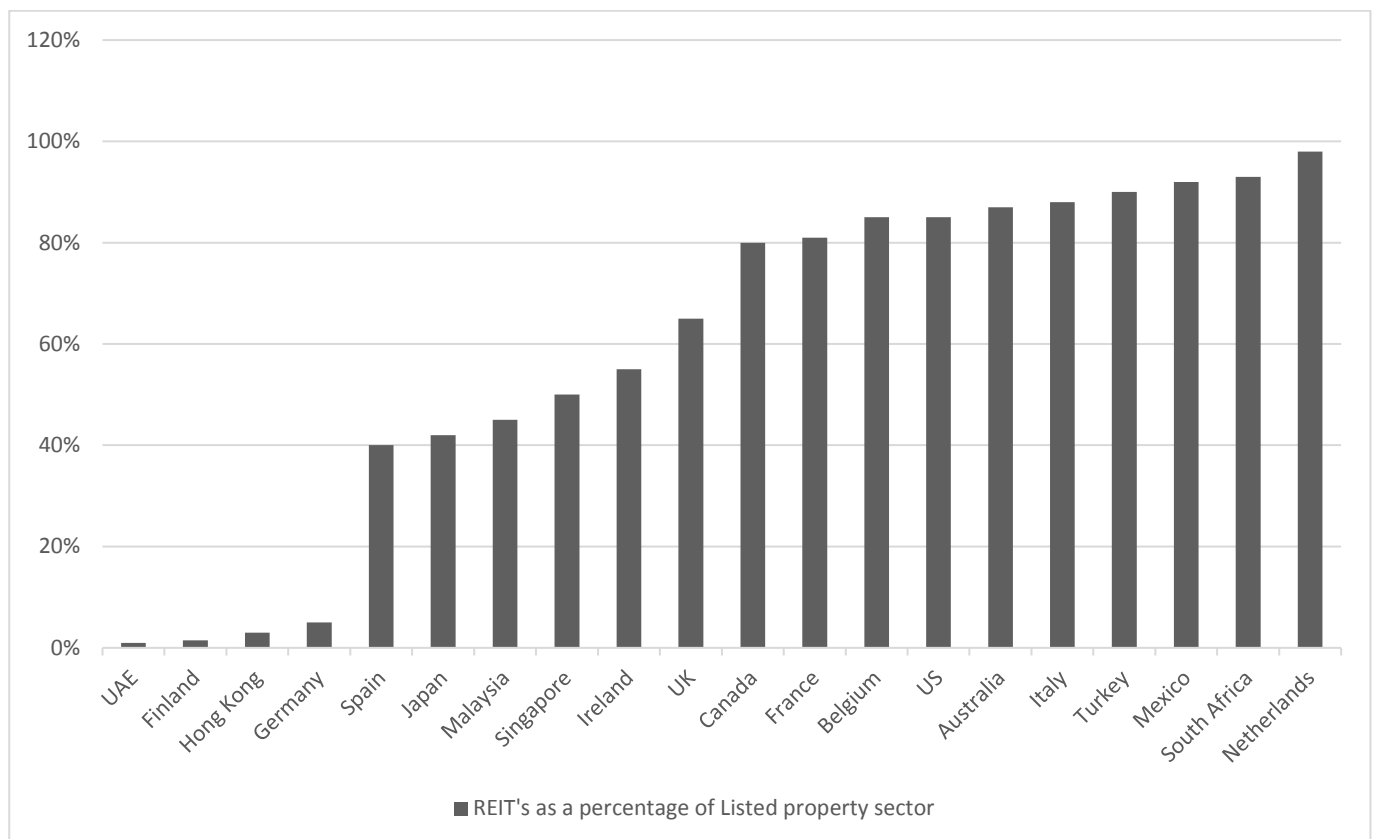
Figure 1: Growth in REIT market capitalisation by market



Source: EY Global Perspectives: 2016 REIT report, 2016

REITs as a percentage of listed real estate market cap varies between different countries. In South Africa the majority of the listed real estate companies are REITs. The reason for the differences between countries may be attributed to the nature of specific companies or the REIT legislation itself (EY Global Perspectives: 2016 REIT report, 2016). Figure 2 below is a graphical presentation of the size of the different REIT industries relative to the total listed real estate markets per country including South Africa.

Figure 2: REIT market cap as a percentage of listed real estate market capitalisation



Source: EY Global Perspectives: 2016 REIT report, 2016

The scale of the industry as shown above in South Africa and the world warrants a literature study into the topic to firstly understand the work that has already been done as well as the shortcomings that exist within the discipline of taxation.

The most important factors which decisively affect the nature or outcome of the study include:

- The quality of the academic articles selected
- Whether the article was selected on an impartial basis
- Relevance of the articles

- Quality of analysis applied to the articles

The quality of the academic articles selected was maintained by focussing only on high-quality articles published in the ABDC list. Impartiality and relevance were achieved by focussing on searches with specific key words and inclusion irrespective of the outcome of the study. Lastly the quality of the analysis was achieved by strictly following and utilising the Taxonomy Framework included in Appendix B.

1.2.2. Rationale for the study

A holistic view showing the current state of publications of high-quality academic articles relating to REITs is not available. Articles written on the topic are scattered among publications and no consolidated view is available which shows the current state of research on the topic. This study provides a consolidated view of recently published high-quality articles. The study will benefit mainly three groups, namely:

1. *Researchers*; It may establish what the current state of research is on the topic and assist future researchers in planning and directing future research.
2. *Legislators*; It may assist in a topdown approach of the current state of the industry and depict how it compares internationally.
3. *Investors*; It may provide better understanding of the industry as well as valuable insight into establishing a risk-reward framework.

The main purpose of this study is to provide a systematised review of academic research on the taxation of real estate investment trusts published in highly rated academic journals over the period 2007-2018.

1.2.3. Main constructs

The main constructs of this study are twofold. Firstly, to broadly establish what the current state of tax research is relating to REITs, focussing on the following five main areas:

- *Quality* – to establish the quality of the literature that currently exists
- *Perspective* – country and stakeholder perspective

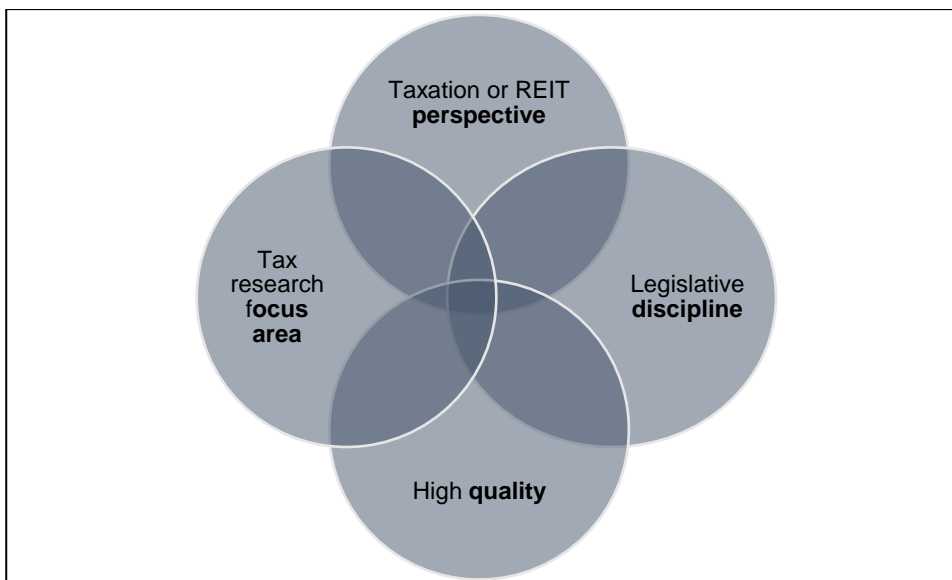
- *Discipline* – which academic discipline is primarily targeted by the article
- *Tax focus area* - if the relevant article has a tax focus, what that tax focus is
- *Research Design/Methodology* - which design and methodology are applied to the study

Secondly, the study aims to establish what percentage of qualifying articles selected meets the following criteria:

- Whether it is written from a taxation or REIT perspective;
- Has a tax research focus area;
- The discipline which the article belongs to is legislative.

The Venn diagram in Figure 3 below graphically displays the objective of the second construct of the study.

Figure 3: Inclusion and exclusion criteria



The purpose is to establish the state of the current research by analysing each of the sub-classifications as well as establishing what percentage of the qualifying articles has a specific taxation focus. This will highlight and establish the current shortcomings of the research into REITs.

1.3. RESEARCH QUESTION AND OBJECTIVES

Research activities in this study are guided by a non-empirical meta-analytical question, namely: What is the current state of highly rated academic journal articles related to real estate investment trusts?

The broad research objectives that focus and direct the research activities in this study are:

- To identify and record academic research articles related to REITs, adopting a research methodology to systematically explore journal publications from recent years;
- To assess the quality of journals in which the academic articles are published, using the Australian Business Dean Council (ABDC) list as criteria for rating the quality of the journals;
- To systematically analyse the academic articles published in ABDC rated journals, making use of a Taxonomy Framework¹;
- To present and discuss the results from the systematised analysis of the highly rated academic articles; and
- To conclude on the study.

1.4. STRUCTURE OF THE MINI-DISSERTATION

The main outcomes of the present study are presented in the format of a mini-dissertation. The structure of the dissertation is explained and summarised below.

1.4.1. Chapter 1: Introduction

Chapter 1 commences with a background and understanding of the topic of real estate investment trusts. The chapter then provides the theoretical framework which forms the basis of the study. Before the research question and objectives are stated, the rationale and main purpose of the study are explained in detail. The chapter then concludes with a synopsis of the mini-dissertation.

1.4.2. Chapter 2: Research design and methodology

Before the research design and methodology of this study are discussed, a comprehensive account is given of the research design and methodology applied to the existing research. The

¹ Taxonomy framework provided in Annexure B of this study.

chapter then continues to provide an orientation of the research design. The chapter is then concluded with the research methodology applied to systematically analyse the relevant literature to this study.

1.4.3. Chapter 3: Data analysis and discussion

The chapter commences by explaining the method adopted to analyse the selected and qualifying academic articles using the Taxonomy Framework. This is then followed by a presentation and discussion of the results of the analysis. After the discussion a conclusion on the analysis is drawn.

1.4.4. Chapter 4: Conclusion

This chapter provides a synopsis of the findings from the previous chapters. It then provides the conclusion of and limitations to this study and provides possible proposals for future studies.

CHAPTER 2: RESEARCH DESIGN AND METHODOLOGY

2.1. INTRODUCTION

The purpose of this study is to systematically review and analyse current academic articles relevant to the subject of Real Estate Investment Trusts and draw a conclusion on the current state of tax research on the topic. The previous chapter provided a clear background and understanding of the topic as well as the theoretical framework of the study which provides the basis of the study. In addition, the previous chapter provided the research question for this study which lays the foundation for this chapter. The purpose of this chapter is to clarify the research design and methodology adopted in this study.

The elements of research design are firstly discussed and include the philosophical stance, nature of the study, method of reasoning, time horizon, unit of analysis and lastly the nature of the data. For each element a conclusion is drawn on the applicable research design for this study.

In the process of establishing the different research methodologies, the different research methods are briefly discussed and an applicable method is selected. A systematised review as a research strategy is then defined and discussed.

Lastly the identification and recording of the academic articles are discussed, which establishes the parameters by which selection of qualifying articles was done. This is then followed by a brief quality assessment of the articles selected for inclusion in the study.

2.2. ORIENTATION OF THE RESEARCH DESIGN

The main purpose of this section is to understand the elements of research design and the application thereof on the *present research*. The section starts with a detailed analysis of each of the elements, which include philosophical stance, nature of the study, method of reasoning, time horizon, unit of analysis, and lastly, nature of the data.

2.2.1. Philosophical stance

According to the authors Sekaran and Bougie (2003:28), the main perspectives in contemporary studies include positivism, realism, interpretivism and pragmatism.

These perspectives can individually be explained as follows:

- *Positivism*; Only objective observable facts can be the basis for science. (Maree, 2007: 21).
- *Realism*; The realist position that abstract objects have an objective existence: reality is of an objective nature, out there (Maree, 2007: 31). Realism therefore also believes in objective observable facts but is based on human emotions making it unmeasurable.
- *Interpretivism*; Foregrounds the meaning that individuals or communities assign to their experiences. Intersubjective meanings are crucial to achieving understanding of meaning (Maree, 2007: 21). Interpretivism is therefore concerned with the understanding of the world as it is from subjective experiences of individuals.
- *Pragmatism*; Is dependent on the research question and based on the required approach being followed to answer it. A pragmatist can make use of both objective and subjective data and the approach might only represent a provisional truth that might change over time (Sekaran & Bougie, 2003:28).

The present research falls within the ambit of *pragmatism*. This is because the basis for the selection of the study method was driven by the research question and the method or combination of methods which will provide the best answer to the research question.

This selection of pragmatism can further be motivated by the variety and combination of study methods followed by the researchers of the different academic articles selected in this study. It is clear that the basis for the selection of the study method was driven by the research question and was not limited to a single philosophical stance.

2.2.2. Nature of the study

The nature of a study can either be exploratory, descriptive or hypothesis testing. The nature of the study depends on the stage of advancement of the research topic. The research design

decision becomes more rigorous as one moves from an exploratory stage to the descriptive and hypothesis stage (Sekaran, 2003: 119).

Exploratory Study; An exploratory study is undertaken when not much is known about the current situation. Extensive work needs to be performed to understand the situation and the essence of the problem at hand. This needs to be performed when very few studies have been performed regarding the subject matter (Sekaran, 2003: 119).

Descriptive Study; When one is required to describe the characteristics of the variables of interest in a situation (Sekaran, 2003: 119). A descriptive study describes the characteristics of a population or dataset. It does not generate any conclusions. The purpose of the study is therefore to describe aspects of the population or dataset we are intending to understand (Sekaran, 2003: 119).

Hypothesis Testing; The focus of hypothesis testing turns to the explanation of relationships, establishing of differences among groups, or the testing of independence of two or more factors in a situation (Sekaran, 2003: 119).

The present research falls within the ambit of mostly *descriptive* research. The objective of the research performed in this study is to describe the current state of tax research on Real Estate Investment Trusts based on current literature available on the topic. No new information needs to be compiled through an exploratory study nor will specific relationships be analysed and explained through hypothesis testing. A conclusion is drawn purely through the analysis and interpretation of research already performed on the subject, classifying the study as a descriptive study.

2.2.3. Method of reasoning

From the Taxonomy Framework which functioned as a framework for the analysis of the relevant literature, the following three theories were provided as a reasoning stance:

Theory Testing (Deductive); A process by which a conclusion is drawn based on a logical generalisation of a known fact (Sekaran, 2003: 27). Researchers in the positivist paradigm prefer using the deductive data analysis strategy (Maree, 2007: 37).

Theory Building (Inductive); A conclusion is drawn based on the observation of certain occurrences (Sekaran, 2003: 27). Researchers in the interpretative paradigm are probable to utilise an inductive reasoning stance (Maree, 2007: 37).

Combination (Abductive); A combination of deductive and inductive reasoning is applied to arrive at a conclusion.

In this paper, a conclusion is drawn based on the observations made from the selected qualifying articles. Thirty-two qualifying articles are analysed. The analysed articles are grouped according to the Taxonomy Framework and conclusions are drawn based on the main constructs of the study. The tests are not exhaustive and the conclusions drawn cannot be assumed as fact. The research method applied in this study follows an inductive approach to reach the research objective.

2.2.4. Time horizon

According to Sekaran (2003:135), two forms of time horizon studies exist, namely:

Cross-sectional Studies; Data are collected from a population at a single point in time. The data may relate to a variable length of time, for example, a week, month or year.

Longitudinal Studies; Data are collected from a population at more than one point in time. Or, data are collected from the same subject repeatedly over a period of time.

Although the articles were published over a long period of time (2007-2018), a snapshot of the available articles was taken at a single point in time and a sample of articles based on strict criteria was used in the research. The research performed therefore falls within the cross-sectional study time-horizon classification. The period 2007-2018 was selected to ensure relevance of the articles included in the study. The legislation regulating REITs in South Africa was enacted in 2013. The timeframe therefore includes the period over which the topic became relevant in South Africa.

2.2.5. Unit of analysis

In a study the level of aggregation is determined by the research question. The level of aggregation determines the unit of analysis in the subsequent data analysis stage. The nature of the information gathered and the level of aggregation drive the unit of analysis decision Sekaran, (2003:132).

According to Sekaran, (2003:132-133), different levels of unit of analysis must be used dependent on the research question and the data at hand. Below is a brief description of each level:

- *Individuals*; Aggregation occurs on a single individual level and the unit of analysis will be the individual.
- *Dyads*; Aggregation occurs on a pair level. It is important to distinguish it from the *Groups* as they do not always share a common feature. They are rather joined into a pair based on the interaction between the two, for example, mentor and mentee, trainer and trainee.
- *Groups*; Population is aggregated in specific groups which share a common feature (e.g. Production, Accounting, Sales, etc.) and the groups then form the unit of analysis.
- *Divisions*; Aggregation occurs at a division level of the company or institution and a comparison will be drawn.
- *Industry*; Aggregation occurs on an industry level, and different industries are then compared against each other.
- *Countries*; Data are aggregated to a country level, and comparison can be drawn on a country level.

For this study each of the academic articles were analysed and notated mutually exclusive from each other. The unit of analysis is *individuals* as the level of aggregation and analysis occurs on a per academic article level.

2.2.6. Nature of the data

A vast amount of data collection techniques are available for conducting research. The Taxonomy Framework which was used for this study outlined six dimensions, which were, however, not exhaustive. The dimensions include systematic literature review, interviews, observations, questionnaires, focus groups and existing databases.

Maree (2007:81) proposes the following four data collection techniques which will also determine the type of data gathered:

- *Documents*; It is important to draw a clear distinction between using documents as part of the data collection strategy and doing an academic literature review. A *literature review* studies past and present research on a particular topic. It provides a holistic view of the current state of research into a specific topic using trend analysis and debates. It is characterised by using mainly inductive reasoning. When *documents* are used as a data source, any type of document can be used and it is non-discriminative of whether or not it has been published as long as it sheds light on the topic being researched.
- *Observations*; Entails a methodical process of recording the behavioural patterns of participants without necessarily interacting with them. Human senses and intuition are used to capture bits of data. Observation is a qualitative form of study and is highly selective and subjective.
- *Interviews*; Entails a conversation between an interviewee and interviewer. The goal of this qualitative study is to gather valuable information and insight on the ideas, beliefs, views, behaviour and opinions of the interviewee.
- *Focus groups*; Is a discussion with more than one participant focussing on debating and discussing a single topic with the goal of generating data different to that obtained through one-on-one discussions.

For this study qualifying academic articles were exclusively used as data. It therefore falls within the ambit of a literature review as current and historic research papers were used to draw a conclusion on the current state of tax research for Real Estate Investment Trusts.

2.3. RESEARCH METHODOLOGY

In this section a brief overview of the different types of research methods is provided along with the research method adopted in this study. A detailed explanation of the reason for the research strategy adopted being acceptable is then provided. This explanation includes the key strengths and weaknesses of the selected research method. The concept of bias is then explained and the method applied to address the concern is then expanded on.

2.3.1. Research method

Three recognised methods exist to conduct research, namely quantitative, qualitative and mixed method. The distinction between the three methods is outlined as follows below:

- *Quantitative*; In a quantitative study numerical data is utilised by the researcher to explain a relationship between different variables. With a quantitative approach the researcher relies on a post-positivism approach implying that there is a single objective reality than can be tested and proved through an experiment or survey (Maree, 2007:257)
- *Qualitative*; As opposed to a quantitative study, a qualitative study aims to study and understand some aspects of social life without it being quantifiably measurable. With qualitative research, reality is approached from a constructive position allowing for multiple outcomes from a single event (Maree, 2007:259).
- *Mixed*; This method makes use of a combination of quantitative and qualitative techniques. The researcher places a greater focus on pragmatism. The researcher therefore focuses on the research question and the most practical method to obtain the correct answer, as opposed to the method which is being used (Maree, 2007:262).

The research method adopted for this study is qualitative in nature, using a systematised review as the research strategy, as the researcher's aim is not to explain a relationship between variables but rather to explain the current state of tax research of REITs without it being quantifiably measurable.

2.3.2. Systematised review as a research strategy

This section will firstly explain the difference between a systematised review and a systematic review by clarifying the two concepts as well as the key differentiation between the two. It will then continue to provide their perceived strengths and weaknesses and will conclude with the clarification of the concept of bias, why this is a concern, and how it is addressed.

To understand and distinguish a systematised review from a systematic review we first need to understand what a systematic review is. A systematic review is best described by Grant and Booth (2009:102) as a process of searching for relevant articles, assessing the quality thereof and combining the findings of the study performed. A systematised review strategy includes only some

of the elements of a systematic review and the result of the study can therefore not be claimed as a systematic review (Grant & Booth, 2009:102).

McCormack, G. R. and Virk, J. S. (2014:54) distinguished a systematised review from a systematic review as follows: “Systematised reviews include some, but not all, characteristics of systematic reviews and are particularly useful when there is diversity in study methodologies and designs within a given topic”. The researchers in this specific study highlighted that their study had several limitations which included a limitation on the number of articles reviewed and that there were no validity or quality tests on the included articles. The key distinguishing factor between a systematised review and a systematic review is the limitations applied to the study which prohibits the researchers from drawing an outright conclusion on the findings.

This makes a systematised review an acceptable research strategy for a post-graduate student and for this study. The reason for this being that a systematised review follows the same process as a systematic review but the researcher usually does not have access to the necessary resources to qualify the study as a systematic review. This allows the post-graduate student to prove that he understands the research process (Grant & Booth, 2009:102).

The relationship with a systematic review is at its closest during the search and citation stage. With a systematised review, a researcher can either do a comprehensive search of relevant material but apply a limited analysis to it. Conversely, the researcher can do a limited search of relevant material but extensively analyse the material. The *perceived strength* of this strategy lies in the fact that the researcher can demonstrate an understanding of the systematic review process. A further strength of a systematised review is that it can lay the foundation of further studies to be done on an area of the topic reviews (Grant & Booth, 2009:103).

There are, however, *perceived weaknesses* to the systematic review strategy. There is a risk of the process under a systematised review not having been properly defined, leading to a study performed without the use of an adequate amount of high-quality articles. The quality of the results might therefore be misleading and lead to a greater likelihood of bias due to the process not adhering to strict guidelines as expected from a full systematic review (Grant & Booth, 2009:103).

The concept of bias involves a prejudice in favour of or against a specific side. The Oxford English Dictionary defines bias as “To give a bias or one-sided tendency or direction to; to incline to one side; to influence, affect (often unduly or unfairly)”. In research, bias involves a systematic error in data collection or analysis to influence the result of a research question to a specific side. Bias is a problem in research as it can affect the validity of the research findings (Salkind, 2010:84). More than one type of bias exists, which includes sampling bias, selection bias, experimenter expectancy effects and response bias. Each of them is explained as follows by (Salkind, 2010:84):

- *Sampling bias*; It occurs when a specific portion of the total population is excluded when the sampling methodology is applied. The result is that a portion of the total population is under-represented in the sample selected and the result will not be a true reflection of the total population.
- *Selection bias*; Occurs when the sample selection made is not truly random and favour is given to a specific portion of the population. The result is that the sample and the result of the test do not represent the total population.
- *Experimenter Expectancy Effects*; Before a test is performed by a researcher a hypothesis is formed. The risk exists that the researcher may unconsciously treat participants to a study differently, which may cause the participants to behave in line with the hypothesis formed by the researcher. This effect makes it impossible to determine whether it is the change in the behaviour of the researcher or conditions that determined the outcome.
- *Response bias*; Includes the tendency of respondents to questionnaires to answer in an untruthful manner. It is possible for researchers to draw incorrect conclusions from the questionnaires based on the false responses received.

Bias in research can be avoided by applying diligence during the research design process which reduces the systematic errors during the academic article collection part of the research process. The researcher’s ability to draw casual conclusions and generalise findings from the results of a study is higher if bias is kept to a minimum (Salkind, 2010:84). By clearly defining the parameters within which the literature collected may fall, and defining and maintaining strict rules regarding the quality of the articles during the research design process, the risk regarding bias can be addressed.

2.4. IDENTIFICATION AND RECORDING OF ACADEMIC ARTICLES

The process followed to identify and record the qualifying articles will be discussed in this section. The section starts with the inclusion and exclusion criteria applied to the search of academic articles. The section continues to provide the keywords applied in the search for relevant articles. The search was further limited by selecting only articles from qualifying databases. A description of this process is provided. Lastly, the recording of identified articles is discussed.

2.4.1. Inclusion and exclusion criteria

The search for qualifying articles was limited to firstly include only academic articles, published in a time frame between 2007 and 2018, and the search was limited to only peer-reviewed academic articles.

The search engines used to find academic articles were limited to the University of Pretoria's Library search function and Google Scholar. Articles found in both instances were measured against the criteria set forth in this section.

Articles found to comply with the above- and below-mentioned criteria were included in the study. Articles found to not comply were clearly marked to be excluded from the study.

Table 3: Inclusion and exclusion criteria

Item	Inclusion criteria	Exclusion criteria
Years	Academic articles published after 2007	Literature published before 2007
Academic articles	Published peer-reviewed academic articles	Not published or not peer reviewed
Books	Dictionaries and books that are peer-reviewed	Textbooks

2.4.2. Keywords

The initial keywords were used at the start of the search for qualifying articles. As the search continued the keywords used were expanded to include synonyms, related keywords and keywords identified from other studies. Keywords were limited to a minimum as real estate investment entities are studied by more than one discipline and one can easily drift away from the topic and discipline at hand in the search for qualifying articles. The keywords were furthermore based on words reflected in Section 25BB of the Act.

Because the topic is widely researched by other disciplines, Boolean operators were used to narrow the search to only applicable articles. The following were often used;

- “AND” – Taxation AND property companies
- “Ti:“ was inserted at the beginning of the text to ensure that only articles with the text specified appear in the title of the article
- Inverted commas were used if the search was narrowed down to that specific term, for instance “Real estate investment trusts”

Table 4: Summary of keywords

Initial keywords	Synonyms	Keywords identified from other studies	Related keywords
Taxes and real estate investment entities	REIT	Capital Structure	Property
	Real estate investment trust	Taxes	Trusts
	Real estate investment companies	Marginal tax rate	Ownership structure
		Organisational form	Distribution
		Commercial Real Estate	Dividends
		Real Estate	Rental
		Corporate tax	Master limited partnership
		Tax avoidance	

Initial keywords	Synonyms	Keywords identified from other studies	Related keywords
		REIT	
		Property types	
		Capital gains	
		Withholding taxes	

2.4.3. Database

The scope for the search of academic journals to include in the systematic review was limited to articles listed mostly on either the Scopus or Web of Science (ISI) database. Articles from other databases were included but these were limited as far as possible. Table 5 includes a breakdown of each of the databases along with quantity of each type of document.

Table 5: Databases and the nature of literature items

Database	Academic journal articles
<i>Included in study</i>	
Scopus	26
Web of Science (ISI)	2
Other database	4
<i>Excluded from Study</i>	5
Total articles assessed	37

2.4.4. Recording of identified academic articles

Selected publications were captured using software called Qiqqa. The software is a research and referencing manager which allows one to organise, reference and annotate selected articles (Graham, 2013,3). The software also allows one to extract the annotations added to each of the academic journals into a Microsoft Excel pivot. These annotations can then be organised and analysed for research purposes.

Each of the selected high-quality articles was saved in a specific folder. Qiqqa then imported the articles automatically. The following process was followed to record each of the articles:

1. The journal reference was imported using the Qiqqa BibTeX Sniffer tool included in the software. The reference provided was then corroborated to the information on the journal to ensure accuracy.
2. Annotations (tags) were added to each of the relevant sections of the article based on the guidance provided by the Taxonomy Framework included in Appendix B.

Data such as the year, title, journal, pages and other information, along with the annotations added to the PDF, can be extracted to Microsoft Excel for analysis.

2.5. QUALITY ASSESSMENT OF RECORDED ACADEMIC ARTICLES

Before an article was imported into Qiqqa, the quality of the article was measured using the ABDC list. The list is published by the Australian Business Dean Council (ABDC). Per the ABDC website (2018), the list provides a quality grading for academic journals. The list is reviewed on a periodic basis by an expert review panel. The journal quality list is based on four mutually exclusive (and collectively exhaustive) rating categories labelled:

- A* - Highest quality journals (5-7% of journals)
- A - Second highest quality journals (15-25% of journals)
- B - Third highest quality journals (35-40% of journals)
- C - Fourth highest quality journals (remainder of recognised quality journals)

After the search of an article and before the article could be imported into Qiqqa, the journal in which the article was published was searched in the latest list published on the ABDC website. Articles in journals that did not appear on the ABDC list, were entirely excluded from the study except in instances where the article was contextually important. Journals with no ABDC rating were limited to only five articles of the total population included in the study. If the journal was listed, the article was included in the selection of articles. In Qiqqa, an annotation with the relevant journal rating was added to each article to keep record of the quality of articles reviewed and used in the study. Table 6 below provides a summary of the quality of the articles selected for the study:

Table 6: ABDC Quality rating of the academic articles included

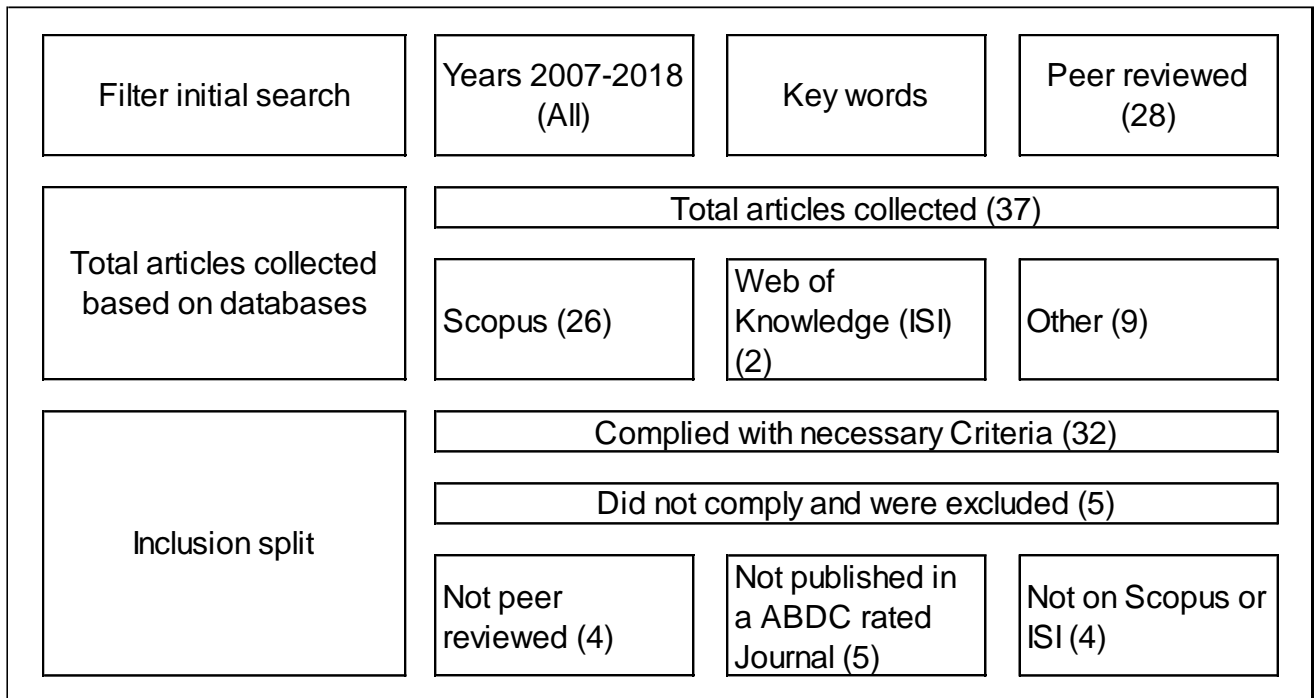
ABDC Rating level	Quantity of Articles
ABDC: A*	2
ABDC: A	14
ABDC: B	7
ABDC: C	4
Unrated	5
Total Articles	32

2.6. SUMMARY OF RESULTS

This section provides a high-level view of the selection methodology followed to select high-quality journals. In summary, 37 articles were identified and evaluated for inclusion, of which 32 journals fully complied with the inclusion criteria and were used for the study. Five of the journals were excluded from the study as it did not meet any of the inclusion criteria. In five instances articles were included in the study but did not meet the inclusion criteria. This was done due to the contextual importance of the articles. These articles were, however, limited to the minimum possible.

Figure 4 outlines the methodology and flow applied during the quality assessment of applicable articles. It also provides the quantity of articles initially identified and proceeds to outline the quantity filtered out based on each parameter applied.

Figure 4: Quality assessment: summary of results



2.7. RESEARCH ETHICS

The most applicable principle of research ethics for the current study is professionalism as the study is a systematised literature review. Professionalism requires that the researcher execute the research with integrity, quality and accountability (University of Pretoria, 2018:12).

Bias is a significant risk to the integrity of the study. With a systematised literature review, the results of the study can be manipulated by the researcher through systematic error made during the data collection phase, thereby applying bias towards a specific outcome. This risk is mitigated by applying diligence during the research design process and clearly defining the research methodology applied in the study. The quality of the research performed is ensured through the application of stringent criteria during the data collection phase of the research and clearly defining the research methodology applied in the study. Accountability of the study is ensured through clearly defining the research question, disclosure of the methodology applied, and data used to arrive at the conclusion of the study.

2.8. CONCLUSION

The aim of this chapter was to clarify the research design and methodology adopted in this study. The research design for the current study was established to be a descriptive literature review with an inductive approach over a cross-sectional time horizon analysing the individual articles with a pragmatic philosophical stance.

A qualitative research method is adopted in this study as the study aims to understand aspects of the topic Real Estate Investment Trusts without the outcome being quantifiably measurable. The research strategy is a systematised review as a limited search for relevant material was performed with an extensive analysis of the articles.

Relevant articles were identified and recorded based on the strict inclusion and exclusion criteria which included a specific time frame (2007–2018), and nature of the material (published peer-reviewed articles and textbooks). The source of the articles was limited to articles mostly published on the Scopus and Web of Science (ISI) databases with the journal in which the article is published appearing on the ABDC list. Thirty-two articles which complied with the inclusion criteria were included in the study.

CHAPTER 3: DATA ANALYSIS AND PRESENTATION OF RESULTS

3.1. INTRODUCTION

In this section the results of the study are presented. An orientation of the data-analysis technique is firstly discussed. The results from the citation done to the academic papers based on the Taxonomy Framework are then analysed and presented in each subsection going forward.

3.2. ORIENTATION OF THE DATA-ANALYSIS TECHNIQUE

A brief overview of the different data-analysis techniques will be provided and the reasoning behind the techniques applied in this study will then be discussed. There are three main classifications of data-analysis techniques, namely textual, statistical and a combination of the two.

The following explanation highlights the ***textual or qualitative data-analysis technique***. Maree (2007:100) summarised qualitative data as “words and observations and not numbers and statistics”. He highlighted that the objective of this strategy does not involve measurement, but rather to understand and logically make sense of the data at hand. The approach therefore requires that the researcher, through outlined processes, extract an explanation or understanding of the qualitative data collected.

Qualitative data analysis is a non-linear iterative process whereby the researcher is sometimes required to go back to the original data to perform further analysis or to verify conclusions (Maree, 2007:100). There is no number of successive steps that can be followed to arrive at a conclusion to the study. Seidel (1998:1) provided a simple foundation to the qualitative data analysis model which explains the non-linear process of qualitative data analysis. It includes three elements, namely *noticing, collecting and thinking*. As you analyse data collected, you notice that certain data is missing or needs clarification and you would return to collect data for further analysis. This process would continue in an iterative manner until a conclusion can be drawn. Seidel (1998:3) continues to compare the three-step process to the completion of a jigsaw puzzle whereby the researcher would identify and narrate pieces of data (noticing); then continue to sort the data in a

particular manner (collecting); and then analyse the data or put the pieces of the puzzle together (thinking). If the researcher realises that a piece of data is missing he would return to start the collecting process from the beginning. It can therefore be concluded that the analysis of data using a textual or qualitative method includes the identification, sorting and analysis of literature in an iterative manner and obtaining an understanding of the content based on inductive analysis.

Statistical data analysis is used in a quantitative research strategy. Maree (2007:145) describes quantitative research as a systematic and objective process by which a numeric sample is analysed and a conclusion is drawn over the total population based only on the analysis of the sample. The quantitative research process can be distinguished from the qualitative research process by two key points. Firstly, a quantitative study follows a strict linear process with specific steps as opposed to the iterative, non-linear process followed under a qualitative data-analysis strategy. Secondly, in quantitative data analysis the results of the sample can be extrapolated to the population and a generalised conclusion can be drawn on the total population. Under a qualitative study a conclusion cannot be drawn but the researcher can only obtain a better understanding of the data analysed using inductive analysis.

Two types of statistical analysis exist, which include descriptive statistics and inferential statistics. Descriptive statistics is a collective name of various methods to organise and summarise data in a meaningful way. Descriptive statistics can be presented in two ways which include graphical and numeric (Maree, 2007:183). In most cases the researcher wants to go beyond descriptive statistics and draw generalised conclusions on the population. Inferential statistics is used for this purpose (Maree, 2007:198). Srinagesh (2006:374) described statistical inference as making a generalisation of a population with only samples of data available. It is important to note that no definite conclusion can be drawn with certainty on the population as it is based only on a sample (Maree (2007:198). To enable the drawing of a generalised conclusion of the population, statistical inference is required (Srinagesh, 2006:374). Srinagesh (2006:374) further explains that the process of statistical inference is made up of two parts, namely:

1. Finding statistical parameters for the population such as a mean and standard deviation (known as estimation); and
2. Formulating assertions (known as hypothesis testing). These assertions are made to test in statistical terms whether these assertions can be accepted or need to be rejected.

The conclusion of hypothesis testing determines whether a generalised conclusion can be drawn on the population based on the sample selected and tested.

The third and last technique is a ***combination*** of the textual and statistical techniques. In this instance the researcher applies a qualitative as well as a quantitative approach to draw a conclusion to the study. The use of this method places a greater focus on finding the answer to the research question than on the method used (Maree, 2007:262).

The research question in Section 1.3 requires that an understanding of the present state of highly rated academic journal articles related to real estate investment trusts be obtained. No conclusion is therefore required from the findings of this research but rather a better understanding of the textual data available through identification, sorting and analysis. This study therefore uses a thematic or textual technique making use of the Taxonomy Framework with *a priori* theme structure as included as Appendix B.

3.3. PRESENTATION OF RESULTS AND DISCUSSION

This section presents and discusses the results of the data analysis performed on the qualifying academic articles selected.

3.3.1. ABDC rating of journal articles

Part of the criteria for the selection of an academic article for inclusion in the study was that most of the articles had to have been published in a high-quality academic journal rated on the ABDC list. The selected articles were grouped based on its rating and the year in which it was published. Of the thirty-two articles, five were not rated on the ABDC list. Of the five articles not rated on the ABDC list, three had been peer reviewed; leaving only two articles which had been neither peer reviewed nor rated. Most of the articles (44%) are rated as A, with the remainder spread across the different ratings. Please refer to Table 7 below for a detailed breakdown of the quality of the journal articles with their respective ratings:

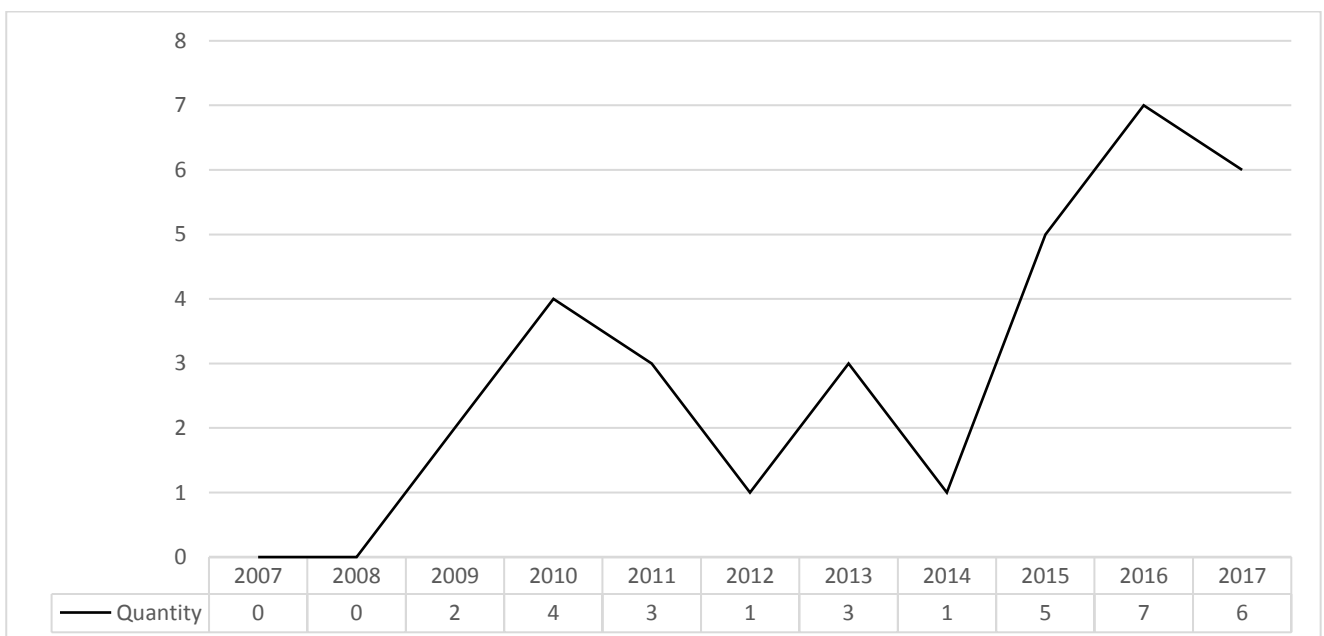
Table 7: Quality of journal articles in terms of the ABDC list

Rating	Quantity
A rated	14
A* rated	2
B rated	7
C rated	4
Not rated	5
Total	32

3.3.2. Published year

The selection of qualifying articles was limited to years published extending from 2007 to 2017. Figure 5 below plots the quantity of qualifying articles per year included in the study. It is evident from the figure that the articles included in the study were skewed towards the later years with 56% of included articles published between 2015 and 2017 and no qualifying articles being found in years 2007-2008.

Figure 5: Quantity of articles published per year



3.3.3. Perspectives

The purpose of this section is to analyse the perspective from which the research for the selected articles was performed. A dual-perspective analysis is performed. Firstly, a country perspective analysis is performed to establish which countries are represented in the current ambit of real estate investment trusts. Secondly, a stakeholder perspective analysis is performed Where the respective stakeholders to real estate investment trusts are identified and motivated. The selected articles are then grouped based on stakeholder perspective to establish which stakeholders are most represented in the current ambit of research.

3.3.3.1. *Country perspective*

The country perspective annotation was allocated to the qualifying article based on the specific country parameters applied to the sample selection and data analysis applied by each study irrespective of whether the focus of the study was on the country. The following criteria were applied in the selection of the respective country:

- If the study performed related directly to a specific country's legislation; or
- If the research was done based on data limited to a single country; or
- If the sample selection was limited to a specific country.

Table 8 below depicts a breakdown of the country perspective from which the studies were performed and the relevant year in which the articles were published. Two findings can be made from Table 8. Firstly, the country perspective is by a far majority skewed towards a United States perspective with 72% of all the articles written with an American perspective. Secondly, all the studies published in high-quality academic journals were performed from the perspective of developed countries. The single article that could be found with a South African perspective was a literature review published in an unrated publication.

Table 8: Country perspectives of articles

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total	%
South Africa								1				1	3%
Canada											1	1	3%
Europe					1							1	3%
Italy			1									1	3%
MENA*										1		1	3%
Netherlands vs United States							1					1	3%
United Kingdom									1	1		2	7%
United States			1	3	2	1	2		4	5	5	23	72%
United States vs Japan				1								1	3%
Total	0	0	2	4	3	1	3	1	5	7	6	32	100%
%	0%	0%	6%	13%	9%	3%	9%	3%	16%	22%	19%	100%	

3.3.3.2. Stakeholder perspective

To understand who the stakeholders are to a REIT, a brief explanation of ‘stakeholder’ is firstly provided. Stakeholders are then divided into either primary or secondary stakeholders and the stakeholders are then limited further to only four, perspectives, namely tax authority, other regulator, investor and REIT perspective. The selected articles will then be grouped by stakeholder to analyse and understand the viewpoint from which the research was done.

Brugha (2000:239) described stakeholders as individuals, groups and organisations that have the ability to potentially influence an organisation’s functions and purpose. Burgha (2000:241) continues to describe stakeholders as “those who are in a position to influence the wellbeing of an organisation or the achievement of its objectives”. Cragg (2002:115) described stakeholders from a different perspective as those who are influenced either positively or negatively by the activities of the corporation. Stakeholders can therefore be described as individuals or a group which either exert influence over a corporation or are influenced by the actions of corporations.

Clarkson (1998:259) distinguished between two groups of stakeholders, namely primary and secondary stakeholders. *Primary stakeholders* are described as those who are essential to the existence and survival of the corporation with a high level of interdependency between the stakeholder and the corporation. Clarkson (1998:259) defines *secondary stakeholders* as “those who influence or affect, or are influenced or affected by, the corporation” and they are not “engaged in transactions with the corporation and are not essential to its survival”.

This study limits its scope to only primary stakeholders. This is because the secondary stakeholder group is a much larger group of which the participants are a lot more open to ambiguity. Secondly, the scope of the research is limited to only thirty-two qualifying articles with a focus on real estate investment trusts and not a detailed stakeholder analysis.

Four primary stakeholder perspectives were identified, and the articles grouped on that basis, namely;

- *Tax authority*; As the rules by which a REIT operate to obtain tax exempt status are regulated by the tax authority of the respective country, it has a direct influence over the existence of the entity.
- *Other regulator*; REITs are not regulated only by the tax authority who allows the tax exemption but also by other regulatory bodies like the Financial Services Board (FSB) and the Johannesburg Stock Exchange (JSE) which play crucial roles in the existence of these institutions.
- *Investor*; The investor benefits directly from the success or failure of the REIT. It is also the person whom the tax burden is passed onto as the REIT is exempt of tax if all the criteria are met as dictated by the tax authority. More importantly, the investor exercises control over the operations and decision making of the REIT.
- *REIT perspective*; Although the REIT cannot directly be a stakeholder of itself, it is a stakeholder of the regulatory and economic environment in which it functions. Essentially, the other stakeholders to REITs will indirectly benefit from research done from the perspective of the REIT and therefore the REIT need to be included as a separate stakeholder perspective.

Of the thirty-two qualifying articles, thirteen (41%) of the articles were written from the perspective of the investor, nine (28%) of the articles were written from the perspective of the REIT itself, eight (25%) of the articles were written from the perspective of the tax authority, while two (6%) of the articles were written from the perspective of other regulators.

Table 9: Stakeholder perspective analysis

Stakeholder	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total	%
REIT		1	1		2		1		4	9	28%
Investor	2	2	1	1		1	1	3	2	13	41%
Other Regulators			1					1		2	6%
Tax Authority		1			1		3	3		8	25%
Total	2	4	3	1	3	1	5	7	6	32	100%
%	6%	13%	9%	3%	9%	3%	16%	22%	19%	100%	

3.3.4. Disciplines from which articles originate

The articles selected were grouped into three disciplines, namely financial management, investment analysis/sciences and legal/legislation. Each of them can be defined as follows:

- *Financial Management*; Periasamy, P. (2009,16) defined financial management as the process of financing and acquisition of long-term and short-term assets of which the decision is influenced by the selection of an asset and the size and growth of the firm, which in turn is determined by the overall objective expected inflows and outflows into the firm. Articles dealing with the general management or understanding of the REITs were therefore classified under financial management. These articles were mostly written from the stakeholder perspective of the REIT or the investor.
- *Investment Analysis/Sciences*; d Fisher, J. and Martin, RS (1994, 106) described investment analysis simply as the relationship between the acquisition price and the expected returns from that acquisition. These articles are mainly focused on the investor as stakeholder.
- *Legal/Legislation*; Legal is defined in the Oxford English Dictionary as “Recognized as such in the eye of the law”. The legal or legislative discipline is concerned mostly with the legal framework in which the REIT functions as well as the rules it must adhere to. These articles are not only focused on the REIT itself but also on the other stakeholders. Two examples of how the legal or legislation discipline is applicable can be taken from two articles included as part of this study. In the article written by Kwon, B. (2011,79) the author discusses the optimal investment structure within the legally provided framework for foreign pension funds who intend to invest into the United States. Borden (2015,528) discusses whether a side effect of the legislation implemented results in a corporate tax base erosion when corporates decide to spin their properties off into REIT type

structures. In both instances, the regulation guiding both the REIT as entity as well as the stakeholders is considered not limiting it to a two-dimensional view.

In Table 10 below the findings from the study are presented. The findings were split as follows: Financial Management (47%), Legal/Legislation (38%), and Investment Analysis/Sciences (16%). It is evident from the discipline split that not enough research has been done from a regulatory perspective. This is especially important as the existence of the REIT structure is driven by the legal framework provided by the tax authority. As depicted in Table 9 above, research is mostly done from the perspectives of the investor (41%) and REITs (28%) who seek to optimise and benefit from the legal framework provided and very little from the authority perspective.

Table 10: Disciplines

Discipline	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total	%
Financial Management	1	2	1		2		1	3	5	15	47%
Investment Analysis/ Sciences		1	1	1		1		1		5	16%
Legal/ Legislation	1	1	1		1		4	3	1	12	38%
Total	2	4	3	1	3	1	5	7	6	32	100%
%	6%	13%	9%	3%	9%	3%	16%	22%	19%	100%	

3.3.5. Tax research focus areas of the articles

The qualifying articles were divided into the different tax research focus areas. Articles where no direct tax research focus areas were identified, were classified as “No tax focus”. The following tax research focus areas were identified as applicable to the articles:

- *Principles of tax policy*; Adam Smith first identified and laid down the principles of taxation. No tax policy is perfect, but the foundation of a good tax system consists of commonly accepted tax principles which determine the design thereof. The principles proposed by Adam Smith include:
 - o Equity Principle – Tax imposed based on ability and capacity
 - o Certainty Principle – Timing, amount and manner should be known
 - o Convenience Principle – Imposition of taxes should occur at a convenient time for tax payers
 - o Economic Efficiency Principle – Must not unnecessarily affect economic decision-making
 - o Administrative Efficiency Principle - The administrative burden should be light

- Flexibility Principle – Tax system should be easily adaptable in response to a change in its economic environment (Stiglingh, 2017,1187)
- *Tax awareness*; The focus of the article was either to obtain a greater understanding of the specific tax legislation related to REITs or the article discussed and concluded on the effect of the tax legislation (or a specific component thereof) on the behaviour of the market, investors or the method in which the REIT is managed.
- *Tax Compliance*; The focus area principally related to the compliance by the REIT or the shareholders to the legislation imposed by the revenue authority.

In Table 11 the qualifying articles are split between the different tax research focus areas identified. Of the qualifying articles included in the study, 44% related to tax awareness, 38% had no tax focus area, 16% related to the principles of tax policy, and only one article (3%) could be found which related to tax compliance. Of the five articles related to the principles of tax policy, four related to the economic efficiency principle and one related to the certainty principle.

From the Table further research is required into the tax compliance and the principles of tax policy focus areas. Mazurczak, (2011:116) indicated that one of the main reasons for the implementation of the REIT legislation was to promote equity amongst a direct investor into a property and an investor investing into a corporate holding principally property. Although this is the principal reason for the existence of the legislation, no recent articles could be found testing whether this is in fact the case.

Table 11: Tax research focus areas

Tax research focus area	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total	%
No Tax focus		2	1	1			1	2	5	12	38%
Principles of tax policy (Nature of tax)							3	2		5	16%
Tax awareness(Understanding)	2	2	2		3	1	1	2	1	14	44%
Tax compliance								1		1	3%
Total	2	4	3	1	3	1	5	7	6	32	100%
%	6%	13%	9%	3%	9%	3%	16%	22%	19%	100%	

3.3.6. Research designs and methodologies

3.3.6.1. *Nature of the studies*

Three types of studies exist as mentioned in 2.2.2, namely descriptive studies, exploratory studies and hypothesis testing. A descriptive study describes the characteristics of a population or dataset, and does not generate any conclusions. An exploratory study is undertaken when not much is known about the current situation. Extensive work needs to be performed to understand the situation and the essence of the problem at hand. Hypothesis testing turns to the explanation of relationships, establishing of differences among groups or the testing of interdependence of two or more factors in a situation (Sekaran, 2003: 119).

From Table 12 it can be concluded that only descriptive and exploratory studies were performed. Of the qualifying articles selected, exploratory studies made up 69% and descriptive studies made up 31% of the studies.

Table 12: Nature of studies performed

Nature	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total	%
Descriptive	1	1	2		1		1	2	2	10	31%
Exploratory	1	3	1	1	2	1	4	5	4	22	69%
Total	2	4	3	1	3	1	5	7	6	32	100%
%	6%	13%	9%	3%	9%	3%	16%	22%	19%	100%	

3.3.6.2. *Reasoning stance in the studies*

The qualifying articles are divided into three types of reasoning stances, namely deductive, inductive, and abductive reasoning which is a combination of the first two. Deductive reasoning is a process by which a conclusion is drawn based on a logical generalisation of a known fact. With inductive testing a conclusion is drawn based on the observation of certain occurrences (Sekaran, 2003: 27). Lastly, abductive reasoning uses a combination of deductive and inductive reasoning to reach a conclusion.

The inductive reasoning stance is applied by far in the majority with 59% of articles selected applying this stance. Deductive reasoning was applied in 38% of the studies and only 3% of the articles applied abductive reasoning.

Table 13: Reasoning Stance

Reasoning stance	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total	%
Combination (Abductive)								1		1	3%
Theory Building (Inductive)		4	1		2	1	3	4	4	19	59%
Theory Testing (Deductive)	2		2	1	1		2	2	2	12	38%
Total	2	4	3	1	3	1	5	7	6	32	100%
%	6%	13%	9%	3%	9%	3%	16%	22%	19%	100%	

3.3.6.3. *Unit of analysis in the studies*

The unit of analysis refers to the level of aggregation which occurs at the subsequent data analysis stage. Sekaran, (2003:132-133) identified six levels of aggregation, namely individuals, dyads, groups, divisions, industry and countries. Two of these were identified to be relevant to the qualifying articles selected, namely companies (individuals) and countries. Companies (individuals) refers to articles where the unit of analysis comprised mainly REITs or companies, and the conclusion reached refers mainly to REITs or companies. The unit 'countries' was annotated if the level of aggregation was made on a per country level and a conclusion can be drawn on a per country basis.

From Table 14 it can be concluded that most of the articles (88%) were aggregated on a per company level with only 13% of the articles being aggregated on a per country level.

Table 14: Unit of Analysis

Unit	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total	%
Companies	2	4	2	1	2	1	5	5	6	28	88%
Countries			1		1			2		4	13%
Total	2	4	3	1	3	1	5	7	6	32	100%
%	6%	13%	9%	3%	9%	3%	16%	22%	19%	100%	

3.3.6.4. *Research methods*

Maree (2007:257-262) described three types of research methods, namely quantitative, qualitative and mixed. With a quantitative study, numerical data is utilised by the researcher to explain a relationship between different variables. A qualitative study aims to study and

understand some aspect of social life without it being quantifiably measurable. The mixed method uses a combination of the quantitative and qualitative research methods.

The selected articles were grouped into these three research methods as indicated in Table 15 and it was found that 56% of articles were quantitative studies, 38% were qualitative studies, and only 6% of studies applied the mixed method.

Table 15: Research Method

Research methods	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total	%
Mixed		1						1		2	6%
Qualitative	1	1	2		1	1	3	1	2	12	38%
Quantitative	1	2	1	1	2		2	5	4	18	56%
Total	2	4	3	1	3	1	5	7	6	32	100%
%	6%	13%	9%	3%	9%	3%	16%	22%	19%	100%	

3.3.6.5. *Data collection techniques*

Two data collection techniques were identified and used in the qualifying articles analysed, namely a systematic literature review as well as existing databases.

A systematic literature review is best described by Grant and Booth (2009:102) as a process of searching for relevant articles, assessing the quality thereof and combining the findings of the study performed. A database is defined in the Oxford English Dictionary as “A structured set of data held in computer storage and typically accessed or manipulated by means of specialized software”. The researcher therefore used the database to present information and draw a conclusion based on the content in the existing databases.

Table 16 shows the split of the data collection techniques between the existing databases and systematic literature review. Fifty-six per cent of articles utilised existing databases and forty-four per cent of articles utilised systematic literature reviews as a data collection technique.

Table 16: Data collection techniques

Techniques	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total	%
Existing databases	1	2	1	1	2		2	5	4	18	56%
Systematic literature review	1	2	2		1	1	3	2	2	14	44%
Total	2	4	3	1	3	1	5	7	6	32	100%
%	6%	13%	9%	3%	9%	3%	16%	22%	19%	100%	

3.3.6.6. *Data analysis techniques*

Two main data analysis techniques were applied to the selected articles, namely descriptive statistics and content analysis.

Descriptive statistics can be described as a collective name of various methods to organise and summarise data in a meaningful way. Descriptive statistics can be presented in two ways which includes graphical and numeric (Maree, 2007:183). Content analysis is defined as a research method applied to interpret the content of textual data using a systematic classification process of coding and identifying trends and themes. It can therefore be briefly described as a qualitative research technique which is used to infer meaning from the content of textual data (Hsieh, H.F. and Shannon, S.E. ,2005:1277).

The results are presented in Table 17. Fifty-nine per cent of articles included in the study utilised descriptive statistics and the remaining forty-one per cent of articles utilised content analysis as a data analysis technique to analyse and interpret the data.

Table 17: Data analysis techniques

Techniques	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total	%
Statistical - Descriptive statistics	1	3	1	1	2		1	6	4	19	59%
Thematic - Content Analysis	1	1	2		1	1	4	1	2	13	41%
Total	2	4	3	1	3	1	5	7	6	32	100%
%	6%	13%	9%	3%	9%	3%	16%	22%	19%	100%	

3.3.7. Current stance of taxation legislation specific research

An analysis is performed to establish the current stance of research on the topic of taxation legislation. The purpose of this exercise is to establish and highlight current weaknesses and strengths in the research performed.

After the annotations were made to the different qualifying articles, the data were filtered to reflect the percentage of high-quality articles with the below-mentioned criteria

- Articles from a taxation authority or REIT stakeholder perspective;
- Articles with a taxation focus area;
- The discipline which the article belongs to must be legislative; and
- Lastly, only articles published in an ABDC rated journal.

The dataset of annotations was filtered based on the above criteria. Only 18.75% or six of the articles met the criteria. The findings of the six articles are presented below in Table 18 and the following key points must be noted:

- The highest quality article included is a rating A; meaning that no articles with an ABDC rating of A* were written with the above set criteria.
- The country perspective from which the articles were written is mainly limited to the United States, with one article with a focus on the United Kingdom.
- All six articles were written from a Tax Authority stakeholder perspective.
- The focus areas of the studies were mainly tax awareness, with three of the articles written with this focus area. Two articles were written with a focus on the principles of tax policy and only one with a focus on tax compliance.

Table 18: Current stance of taxation legislation specific research

Journal	ABDC Rating	Perspective - Country	Stakeholder Perspective	Discipline	Tax focus area of study
Tax Notes	C rated	Country: United States	Tax Authority	Legal/ Legislation	Tax awareness (Understanding)
Florida Tax Review	A rated	Country: United States	Tax Authority	Legal/ Legislation	Principles of tax policy (Nature of tax)
The Journal of the American Taxation Association	A rated	Country: United States	Tax Authority	Legal/ Legislation	Principles of tax policy (Nature of tax)
Journal of Corporate Finance	A rated	Country: United Kingdom	Tax Authority	Legal/ Legislation	Tax compliance
Tax Law	B rated	Country: United States	Tax Authority	Legal/ Legislation	Tax awareness (Understanding)
Bulletin for International Taxation	B rated	Country: Netherlands vs United States	Tax Authority	Legal/ Legislation	Tax awareness (Understanding)

3.4. CONCLUSION

The main purpose of this chapter was to present the data analysis performed and the corresponding results. The distinctions between textual, statistical and combination techniques were described, and the use of a textual data-analysis technique was argued.

From the data analysed it was identified that no high-quality research was done from the developing country or specifically South African perspective, and by far most of the research was done from a United States perspective. It was further found that the stakeholder perspective from which the articles were written skewed mostly to the benefit of the investors into the REIT structures with only 25% and 6% of research written to the benefit of the tax authority and other regulator perspective.

From a tax research focus area perspective, a key finding was that 38% of articles had no tax focus, and 44% of the articles were concentrated on a single focus area, namely tax awareness (understanding). Because the concentration is so high on a single focus area, there is clearly a void in the research relating to other tax research focus areas. If one looks at the findings from the current stance of taxation legislation specific research presented in Table 18, only six of the articles had a specific legislation focus with the majority thereof (five articles) written from a United States perspective and three of the articles having a tax awareness focus.

CHAPTER 4: CONCLUSION

4.1. INTRODUCTION

The main constructs presented in Section 1.2.3 set out a clear goal, namely to establish the current state of tax research into Real Estate Investment Trusts. This chapter firstly presents a summary of the findings and draws a conclusion on the research question. It then continues to present the limitations to the research as well as possible future research that can be performed.

4.2. SUMMARY OF FINDINGS AND CONCLUSION

The main research objective was to identify and record academic articles relating to REITs and through a research methodology systematically explore the articles over the period 2007-2018. The analysis of the articles included the assessment of the quality of identified articles using the ABDC list and consequently systematically analysing the articles making use of the Taxonomy Framework, and lastly to present and discuss the findings from the analysis.

Of the thirty-two articles identified, twenty-seven of the articles had been published in an ABDC rated publication with a significant uptick of publications towards the later years, with 56% of articles published in the period 2015 – 2017.

One of the main findings in the analysis of the articles was the concentration of the research perspective on specifically the United States but also developed countries in general. Seventy-two per cent of the articles were written from the perspective of the United States. No high-quality qualifying articles were identified from a perspective focussing on developing countries (specifically South Africa).

Another finding includes the stakeholder perspective from which the articles were written and the corresponding discipline to which the articles belong. Only 25% of the articles were written from a tax authority stakeholder perspective and only thirty-eight per cent of the articles were written within the legal or legislative discipline. This is contrary to expectation as the existence of the REIT structure is dependent on a country's local tax legislation allowing these structures to exist.

This finding is consistent with the taxation legislation specific analysis performed in Section 3.3.7 where it was identified that only 18.75% of high-quality articles had a specific focus on taxation legislation with all articles having been written from a United States perspective.

The qualifying articles were also attributed to the different tax research focus areas and it was identified that 38% of articles had no taxation focus and 44% of articles focused purely on the awareness or understanding of the legislation with very little research done into the remaining principles of taxation.

4.3. LIMITATIONS

The study performed was a systematised literature review. As specified in Section 2.3.2, the key distinguishing factor between a systematised review and a systematic review strategy are the limitations applied to the study which prohibit the researchers from drawing an outright conclusion on the finding. The study focused only on articles published over the period 2007-2018, with the search limited to articles with the specific keywords specified in Section 2.4. The list of articles included in the study is also not comprehensive and excludes articles that did not meet the inclusion criteria and was not published in an article listed in the ISI or Scopus database.

The main limitations identified in this study related to the perspectives from which the articles had been written. Most of the articles had been written from a United States perspective and in Section 3.3.7 it was identified that only 18.75% of the articles had been written from a taxation regulation perspective. The limitation was mainly due to the unavailability of articles written from a South African perspective with a focus on the regulation of REITs.

4.4. FUTURE RESEARCH

Based on the data analysis performed in Chapter 3, key topics were identified as possible future research. Firstly, the country perspective from which research has been performed is mostly limited to developed countries. Research into the REIT industries from a developing country perspective, and specifically a South African perspective, has not been done and from the theoretical background provided in Chapter 1, it is evident that REITs form a significant part of the South African property sector and need to be researched and understood further.

Secondly, the portion of the research analysed that has been written from a tax authority or REIT perspective with a taxation focus, belonging to the legislative discipline makes up only 18.75% of all the articles included in this study. This is a small percentage given that the existence of these structures is dependent on the domestic tax law. Further research on the viability of the legislation applied on the domestic economy is required to establish whether the intention of the legislation is met in that country.

Lastly, most of the articles either had no taxation focus (38%) or dealt mostly with tax awareness or understanding of the topic (44%). Very little work had therefore been performed from the remainder of the tax focus areas included in the Taxonomy Framework. Future research could include the effect of the domestic legislation on the corporate tax base or whether the legislation has a beneficial or detrimental effect on the fiscus and economy based on the taxation principles explained in Section 3.3.5.

4.5. CONCLUDING REMARKS

Given the size of the REIT industry worldwide and domestically and the growth thereof over the last few years, this study is topical and provides valuable insight into the current state of tax research on REITs. It provides a clear indication of the perspectives from which research was done and the type of research applied to draw conclusions.

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**APPENDIX A:
ARTICLES UNDER REVIEW**

Table 19: Journal articles analysed

<u>Title of article</u>	<u>Author(s)</u>	<u>Year published</u>	<u>Journal</u>	<u>ABDC rating</u>
An examination of REIT dividend payout policy	WI Boudry	2011	Real Estate Economics	A
Banking relationships and REIT capital structure	WG Hardin III, Z Wu	2010	Real Estate Economics	A
Counterintuitive Tax Revenue Effect of REIT Spinoffs	BT Borden	2015	Tax Notes	C
Debt and taxes: Evidence from the real estate industry	MJ Barclay, SM Heitzman, CW Smith	2013	Journal of Corporate Finance	A*
Determinants of foreign direct real estate investment in selected MENA countries	M Salem, A Baum	2016	Journal of Property Investment & Finance	B
Development of Real Estate Investment Trust (REIT) Regimes in Europe	A Mazurczak	2011	Journal of International Studies	B
Elective Taxation on Inbound Real Estate Investment	David Herzig	2016	University of Illinois Law Review	Not rated
How REIT "Dividends" Are Taxed	RN Gordon	2015	Journal of Taxation of Investments	C
Reforming REIT Taxation (or Not)	BT Borden	2015	Houston Law Review	Not rated
REIT Going Private Decisions	J Brau, J Carpenter, M Rodriguez, C Sirmans	2013	The Journal of Real Estate Finance and Economics	A
Rethinking the Tax-Revenue Effect of REIT Taxation	BT Borden	2015	Florida Tax Review	A
Tax Structuring for Foreign Pension Fund Investments in US Real Estate Funds	B Kwon	2011	The Journal of Private Equity	C
Taxes, investors, and managers: Exploring the taxation of foreign investors in US REITs	M Howard, KA Pancak, DA Shackelford	2016	The Journal of the American Taxation Association	A
The hybrid characteristic of REIT returns: evidence from Japanese and US States markets	H Su, C Huang, T Pai	2010	Journal of Real Estate Literature	C
Real Estate Investment Trusts (REITs): A new business model in the FTSE100	C Haslam, N Tsitsianis, T Andersson, P Gleadle	2015	Accounting Forum	B
Do investors value REITs and Non-REITs differently?	P Wei, X Yang	2012	International Review of Economics & Finance	A
Do investors care about corporate taxes?	C Brooks, C Godfrey, C Hillenbrand, K Money	2016	Journal of Corporate Finance	A
The effect of capital gains taxes on the initial pricing and underpricing of IPOs	O Z Li, Yupeng Lin, John R Robinson	2016	Journal of Accounting and Economics	A*
REIT: South African real estate investment trust structure introduced	C Miller	2014	Accountancy SA	Not rated
Blockers, Stoppers, and the Entity Classification Rules	WB Taylor	2010	Tax Law	B

<u>Title of article</u>	<u>Author(s)</u>	<u>Year published</u>	<u>Journal</u>	<u>ABDC rating</u>
Institutional Property-Type Herding in Real Estate Investment Trusts	V Lantushenko, E Nelling	2017	The Journal of Real Estate Finance and Economics	A
Legal personality and the Canadian REIT	RF Hansen	2017	Trusts & Trustees	Not rated
Does Ownership Structure Matter?	S Titman	2017	European Financial Management	A
Uncorporates: Changes in master limited partnerships	LK Kendall, N Rogers	2017	Managerial Finance	B
Do taxable REIT subsidiary spell risk for REITs? An empirical examination	JC Cardona	2016	Journal of Property Investment & Finance	B
The Ex-dividend Day Behaviour of REITs: Tax or Market Microstructure Effects	K John, RS Mateti, D Nguyen, G Vasudevan	2016	European Financial Management	A
Italy—reduced tax benefits for ‘family REITs’ and anti-avoidance provisions	P Panico	2009	Trusts & Trustees	Not rated
The Ex-Day Price Behavior of REITs: Taxes or Ticks?	J Whitworth, DA Carter	2010	Real Estate Economics	A
Taxes and ex-dividend day returns: Evidence from REITs	OZ Li, DP Weber	2009	National Tax Journal	A
What Do We Have in Common? What Can We Learn from Each Other? A Comparative Study of US and Dutch REITs	WB Taylor, H Vermeulen	2013	Bulletin for International Taxation	B
The interrelationships between REIT capital structure and investment	J Alcock, E Steiner	2017	Abacus	A
Why Do Overconfident REIT CEOs Issue More Debt? Mechanisms and Value Implications	KJK Tan	2017	Abacus	A

**APPENDIX B:
TAXONOMY FRAMEWORK**

Table 20: Taxonomy Framework

Category	<u>Determinants</u>	<u>Dimensions</u>
Journal information	ABDC rating	A* rated
		A rated
		B rated
		C rated
		Not rated
Perspective	Country	South Africa
		Canada
		Europe
		Italy
		Middle Eastern and North African (MENA)
		Netherlands vs United States
		United Kingdom
		United States
		United States vs Japan
	Stakeholder	Tax Authority
		Another Regulator
		Investor
		Company/Business perspective
Discipline	Social Sciences	Legal/Legislation
		Financial Management
		Investment Analysis/Sciences
Tax focus area		Principles of tax policy (Nature of tax)
		Composition of taxes (Structure or tax mix)
		Levels of taxes
		Overarching elements
		Basic principles of tax legislation
		Primary tax law
		Secondary tax law
		Basic principles of tax administration
		Tax administration processes
		Tax (administration) operating costs
		Tax compliance
		Tax education (Technical knowledge)
		Tax literacy (Skills)
		Tax awareness (Understanding)
		No Tax focus
Nature of Study		Exploratory

Category	Determinants	Dimensions
		Descriptive
		Hypothesis testing
Reasoning Stance		Theory Testing (Deductive)
		Theory Building (Inductive)
		Combination (Abductive)
Unit of Analysis		Individuals
		Companies
		Countries
Research Method		Qualitative
		Quantitative
		Mixed
Data collection techniques		Systematic literature review
		Interviews
		Observations
		Questionnaires
		Focus groups
		Existing databases
Data-analysis techniques	Statistical	Meta-analysis
		Descriptive statistics
	Thematic	Narrative
		Meta-synthesis
		Content Analysis

**APPENDIX C:
DECLARATION OF PLAGIARISM**

FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES

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The Faculty of Economic and Management Sciences emphasises integrity and ethical behaviour with regard to the preparation of all written assignments.

Although the lecturer will provide you with information regarding reference techniques, as well as ways to avoid plagiarism, you also have a responsibility to fulfil in this regard. Should you at any time feel unsure about the requirements, you must consult the lecturer concerned before submitting an assignment.

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You are not allowed to submit another student's previous work as your own. You are furthermore not allowed to let anyone copy or use your work with the intention of presenting it as his/her own.

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For the period that you are a student in the Faculty of Economic and Management Sciences, the following declaration must accompany **all** written work that is submitted for evaluation. No written work will be accepted unless the declaration has been completed and is included in the particular assignment.

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Student number:	26129265

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1. I understand what plagiarism entails and am aware of the University's policy in this regard.
2. I declare that this assignment is my own, original work. Where someone else's work was used (whether from a printed source, the Internet or any other source) due acknowledgement was given and reference was made according to departmental requirements.

3. I did not copy and paste any information directly from an electronic source (e.g., a web page, electronic journal article or CD ROM) into this document.
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