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CONTENTS

- Introduction
- Finland
- France
- Hungary
- India
- Italy
- Luxembourg
- Mexico
- Netherlands
- Poland
- Spain
- UK
- US

INTRODUCTION

As the real estate industry is looking forward to getting together at MIPIM in Cannes in March, we are pleased to share our latest Real Estate Tax Newsletter, covering tax developments in Europe and beyond and how they impact our industry.

According to the latest Global Markets Insights published by the INREV, real estate is becoming more attractive for investor portfolios further to the interest rate cuts by the Federal Reserve, and by other major central banks, and there seems to be some positive momentum. In Q3 2024, the Global Real Estate Fund Index turned positive for the first time since Q2 2023 and more than 70% of respondents to the INREV Investment Intentions Survey 2025 planned to maintain or increase their global real estate allocations over the next two years.

On the other hand, optimism remains tempered as geopolitical tensions and inflationary pressures continue to pose risks. The recent changes in governments in a number of jurisdictions, the reshaping of the relations between the United States and Europe, and the recent elections in Germany will bring further changes to the investment and fiscal landscape and their impact on the overall investment climate remains to be seen.

If you have any questions on the points raised in this newsletter, then please do get in contact with your Taxand contact or the relevant local experts, whose details are on the following pages.

A number of your Taxand contacts will be on the ground in Cannes and we are looking forward to meeting you at MIPIM. Please reach out to your Taxand contacts if you would like to arrange for a meeting in Cannes.

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Supreme Administrative Court Clarifies Real Estate Valuations for Real Estate Tax Purposes

The Supreme Administrative Court has recently established important precedents in real estate taxation, particularly focusing on building valuations. These precedents provide much needed guidelines for the fundamental principles that govern valuation practices.

In precedent 2025:6, the Court provided specific guidance on the valuation of buildings and their distinct sections. It determined that a spa section of a hotel, which is physically separate from the main hotel facilities and serves a broader clientele, can be valued independently if it represents a significant portion of the entire building. This significance can be assessed not only by surface areas but also by the volumes of the different parts of the building.

The recent precedents may lead to an increase in situations where buildings of a building complex or distinct sections of a building are evaluated under separate rules. For instance, the spa section may qualify for a higher age-based deduction than the rest of the hotel, affecting the overall tax liability. In many cases, valuing buildings or sections of a building separately will result in a more favourable outcome for the taxpayer.

Delays in Real Estate Tax Reforms

Two major real estate tax reform projects remain stalled.

The first project aims to align the valuation of buildings for real estate tax purposes more closely with their fair market values. This may raise or lower the current level of real estate taxation on individual properties.

The second project seeks to establish a tax framework for offshore wind farms in Finland’s exclusive economic zone. The project aims to clarify taxation rights and ensure a consistent approach to real estate taxation also in offshore areas.

Both reforms have proven complex, raising legal and technical challenges that continue to delay progress. Originally expected last fall, the Finnish government now plans to present the proposals by the end of May.

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FRANCE (1 OF 2)

After a series of unprecedented legislative twists and turns, the French Finance Act 2025 has been adopted by the parliament on February 6th. It should be published and thus applicable by the end of the month, subject to possible constitutional censure. Hereafter, the main provisions regarding the real estate sector:

- End of a tax advantage to compute the capital gain for non-professional furnished rental scheme (LMNP): depreciation deducted during the rental period is now taken into account when calculating the capital gain on the property sold. However, the Finance Act does not call into question the application of the allowance for length of ownership. The reform will apply to disposals as from the enactment/publication of the Finance Act and will apply in particular to depreciation deducted up to now.

- Possible increase, by decision of the relevant departmental council, of the transfer tax rate due at acquisition of real estate assets (except for new buildings or in case of commitment to erect/resell): from 5,8% to 6,3%, (plus 0,6% for commercial, office and storage premises located in Ile de France, 0,8% of notary fees and 0,1% of security contribution)

- Annual tax on offices and commercial premises in Ile de France & PACA region: in order to ease the conversion of business premises into housing, the Finance Act introduces an exemption from annual tax, as from the application for authorization to convert business premises into residential premises (subject to a commitment to convert the premises in a four year-period following the planning or construction authorization).

Two important measures initially discussed at the end of 2024 have not been included in this Finance Act: (i) transfer tax on share deal in real estate companies computed on the basis of the actual value of the real estate assets, without taking into account the company's liabilities and (ii) exclusion of real estate or hotel management activities from the provisions of 150-0 B ter of the CGI (tax deferral on contribution-sale to a controlled entity)

New accounting definition of “extraordinary income”: what impact will this new definition have on real estate companies (whose main activity is property rental)?

- New definition: income and expenses directly linked to a major and unusual event. Before, extraordinary income was defined as the income not generated by ordinary business operations.

- In light of this new definition, the French tax authorities and the French accounting standards authority have indicated that certain property sales will no longer be classified as exceptional results.

- Tax impact to be eventually anticipated for certain future capital gains realized by real estate companies whose main activity is property rental: value added contribution & additional contribution to CIT.

FRANCE (2 OF 2)

ARSENE
TAXAND NETWORK

Tax ruling on SIIC subsidiary transfers

Ruling published on 8 January 2025 allowing to secure the tax exemption regime of a SIIC subsidiary in case of transfer to a SPIICAV : a SIIC subsidiary sold to a SPPICAV remains subject to the SIIC tax regime without discontinuity.

However, it is necessary to make the election before the end of the 4th month of the beginning of the financial year following such transfer (this election does not entail the effects of the cessation of business).

Lastly, it should be noted that the impact of a subsequent exit from the SIIC regime will be calculated from the date of the initial option for the SIIC regime as a subsidiary of a SIIC.

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New electronic land registry procedure

From 2025 onwards - after a short transition period - the Hungarian Land Registry Office and so the real estate transactions are going completely digital. With the new rules clients can only apply through a legal representative who has the relevant qualification and a special liability insurance.

The majority of the legal documents must be signed digitally, mostly through the new "Digital Citizen" app or with an e-ID card. The legal representative can then submit the application through a central website.

With the automatic decision-making, the Land Registry Office will register the common applications even within 24 hours. Thanks to this new procedure, clients may reach their targets faster and more comfortably.

Extension of the reduced VAT rate for new residential properties

The application of the 5% reduced VAT rate for the sale of new residential properties (not older than 2 years) is extended until 31.12.2026. Further, the preferential rate may also apply in case the building permit becomes final until the end of 2026 and the date of supply of the property is no later than 31.12.2030.

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INDIA

ECONOMIC LAWS PRACTICE ADVOCATES & SOLICITORS

Union Budget 2025-26 proposes to make a retrospective amendment in GST laws so as to overturn the decision of Apex Court which decided on admissibility of Input Tax Credit ('ITC') on goods and services (other than works contract services) used for construction of buildings

Presently, the GST law restricts ITC on goods and services received for construction of an immovable property (except plant or machinery) on own account even when the same is used in the course or furtherance of business. While the expression "plant and machinery" was defined in the law, which inter alia excluded buildings, the expression "plant or machinery" was not defined.

The Apex Court in Chief Commissioner of CGST vs Safari Retreats Pvt Ltd. held that the meaning of "plant and machinery" cannot be ascribed to the expression "plant or machinery" and accordingly ruled that whether a mall, warehouse or any building other than a hotel or a cinema theatre can be classified as a plant within the meaning of the expression "plant or machinery" needs to be determined based on the functionality test.

The Apex Court also made a remark that if a building is built with the intent of giving it on lease, it could possibly qualify as plant. The decision of the Apex Court is now proposed to be overturned by the Government whereby the expression "plant or machinery" is to be substituted by "plant and machinery" retrospectively.

Assuming that the amendment is finally carried out, the benefits on account of the Apex Court decision would in a way be nullified, which will be detrimental to the taxpayers. There are judicial precedents by the Apex Court according to which such amendments, which take away the benefits otherwise available to taxpayers, should only be given prospective effect. It now needs to be seen whether the amendment is being finally carried out and if so, whether the same will be challenged by any taxpayer.

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ITALY (1 OF 3)

AlmaLED

Supreme Court's decision n. 321 dated 9 January 2025: full deductibility of interest expenses deriving from mortgage-backed financing regardless of the purpose of the financing

According to Art. 1, par. 36, of Law. n. 244/2007 (as amended by Art. 4. par. 4, of Legislative Decree n.147/2015 and by Art. 14 of Legislative Decree n. 142/2018):

- interest expenses related to mortgage-backed loans on real estate assets intended for rental

- incurred by companies that effectively and predominantly carry out real estate activities

are not subject to the deductibility limitations set forth by Art. 96, IITC (i.e., tax EBITDA rule) and, consequently, they are fully deductible. Companies that effectively and predominantly engage in real estate activities for the purpose of the application of the mentioned Art. 1, par. 36, are considered to be companies whose asset value consists for the most part of the normal value of real estate intended for rental and whose revenues are at least for two-thirds represented by rents or leases of companies whose total value consists predominantly of the normal value of buildings.

Over the years, the Italian Tax Authority took a restrictive approach about the scope of the mentioned rule and stated that the full deductibility should have been limited to interest expenses deriving from mortgage-backed loans aimed at financing the acquisition, construction, or renovation of real estate assets (as well as refinancing of existing loans with better conditions).

The Supreme Court confirmed that the scope of the provision granting the full deductibility of interest expenses incurred by real estate companies shall not be limited to loans granted to purchase, build or renovate real estate properties - as the wording of the provision does not include any limitation from an objective point of view.

ITALY (2 OF 3)

Amendments to the Registration Tax Act: new provisions about the indirect taxation of advance payments in the context of preliminary sale and purchase agreements

Legislative Decree n. 139, dated 2 October 2024, made some changes to the regulation concerning registration tax.

The Legislative Decree entered into force on 3 October 2024, but it took effect starting from 1 January 2025, and it applies to public deeds formed, judicial deeds published or issued, private deeds notarized or submitted for registration on or after 1 January 2025.

Among the other changes, the Legislative Decree amended the provisions of the Registration Tax Act (Presidential Decree n. 131/1986) concerning registration tax on advance payments and deposits. Before the amendments, in case of preliminary sale and purchase agreements (i) not subject to VAT, 0,5% registration tax was due on the deposit and 3% tax was due on advance payments; (ii) subject to VAT, 0,5% registration tax was due on the deposit and €200 registration tax was due on the advance payment (under certain conditions, only €200 registration tax applied in case of payment of deposit and advance payments).

According to the new provisions, if the PSPA provides for the payment of both a deposit and an advance payment:

- in case of PSPA **not subject to VAT,** 0,5% registration tax applies
- in case of PSPA **subject to VAT,** €200 registration tax applies.

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MAISTO E ASSOCIATI

Italy relaxes its anti-shell company regime

Under the Italian anti-shell company regime, a company is deemed to be dormant (shell) if its average revenues in the current FY and the preceding two are lower than a predetermined minimum amount of revenues that are computed by applying statutory yield ratios to the tax basis of certain non-current assets, including real estate ("vitality test"). Companies are allowed to rebut the presumption if they can show valid reasons why their income in a FY is lower than the minimum amount required under the vitality test (an advanced ruling procedure, which was open to all taxpayers in the past, is now available only to companies that participate in the cooperative compliance program). A dormant company is subject to a punitive tax regime, e.g., minimum deemed income (computed by applying another set of income coefficients set forth by law), higher corporate tax rate (30.5% instead of 24%), and VAT deduction limitations.

Law 111/2023 delegated the Government to implement a comprehensive reform of this regime, but such reform has not been fully enacted yet. However, Legislative Decree No. 192/2024 eased the regime, effective as of FY 2024. The predetermined yield ratios applicable to real estate and financial assets for the purpose of the vitality test were reduced by 50%, thereby allowing many companies to escape the anti-shell company legislation. The income coefficients to calculate the minimum deemed income were also halved with the aim of aligning deemed profitability rates with market trends.

Therefore, even for those companies that will still be deemed dormant as they fail the vitality test, the overall corporate tax and regional tax burden should decrease.

This reform may positively affect real estate companies whose business consists of letting immovable property, including those companies that redevelop real estate property with a view to letting it to third parties.

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LUXEMBOURG (1 OF 3)

ATOZ TAX ADVISERS LUXEMBOURG

2025 Budget Law tax measures

The 2025 budget law of 20 December 2024 introduces new temporary tax measures, applicable until 30 June 2025, to boost the construction sector and facilitate access to housing in addition to the ones that had already been introduced as per the Law dated 22 May 2024 introducing various measures to revive the housing market (the "2024 Law").

The 2025 budget law provides that a 50% reduction of the taxable basis used for the computation of the registration tax and transcription duties will be granted in the event of a purchase of real estate intended for residential use or of an investment in existing or new rental housing, documented by a notarial deed executed between 1 October 2024 and 30 June 2025.

The request for such reductions must be included in the notarial deed of acquisition.

New draft law for an extension of the 2024 Law tax measures

Considering the positive indications coming from the construction sector and in order not to slow down the current recovery in property transactions, the government has submitted a new draft law to Parliament to extend the temporary tax measures introduced by the 2024 Law, initially applicable for 2024 only, for a further six months.

The temporary tax measures extended concern the following 2024 Law measures:

- the temporary increase of the tax credit on the registration and transcription duties for individuals for the purchase of Luxembourg real estate intended for residential use,
- the new tax credit on the registration and transcription duties for investment in rental housing,
- the temporary decrease of the capital gains tax rate for individuals on the sale of real estate property to a quarter of the global rate,
- the increase of the depreciation rate and the duration of accelerated depreciation for real estate investments allocated to rental housing, and
- the fiscal neutralisation of non-speculative capital gains transferred to certain types of replacement assets (accommodation used for social rental management or belonging to energy performance class A+).

LUXEMBOURG (2 OF 3)

ATOZ TAX ADVISERS LUXEMBOURG

Corporate income tax reduced by 1%

As from tax year 2025, the Luxembourg corporate income tax ("CIT") rate has been reduced by 1%. Taking into consideration the municipal business tax and the solidarity surcharge for the employment fund, the overall CIT rate for companies located in Luxembourg City is thus now as follows:

- 23.87% (instead of previously 24.94%) if the taxable income exceeds EUR 200,000;
- An intermediary rate varying between 21,73% and 23.87% if the taxable income exceeds EUR 175,000 without exceeding EUR 200,000; and
- 21.73% (instead of previously 22.80%) if the taxable income does not exceed EUR 175,000.

Minimum net wealth tax rules amended

For the computation of the Luxembourg minimum net wealth tax ("NWT"), the law of 20 December 2024 has removed the distinction between Luxembourg resident companies holding mainly financial assets and those holding mainly non-financial assets and introduces uniform rules for all Luxembourg resident companies regardless the types of assets held.

As from tax year 2025, the minimum NWT amounts to:

- EUR 535 if the total balance sheet of the Luxembourg company is less than or equal to EUR 350,000;
- EUR 1,605 if the total balance sheet is greater than EUR 350,000 and less than or equal to EUR 2,000,000; or
- EUR 4,815 if the total balance sheet is greater than EUR 2,000,000.

Since foreign real estate assets have been disregarded when computing the total balance sheet (in order to comply with double tax treaties) under the previous minimum NWT regime and will continue to be disregarded for purposes of computing the total balance sheet under the new minimum NWT rules, the minimum NWT liability of Luxembourg property companies holding only foreign real estate assets will remain unchanged in most cases.

LUXEMBOURG (3 OF 3)

Tax treatment of share class redemptions clarified

The law of 20 December 2024 clarifies the cumulative conditions to be met for a share class redemption or withdrawal to be treated as a partial liquidation which is not subject to Luxembourg dividend withholding tax:

- The redemption must relate to an entire class of shares;
- The classes of shares must have been implemented upon incorporation or a subsequent capital increase;
- Each class of shares must have distinct economic rights defined in the articles of association;
- The redemption price must be determined based on criteria laid down in the articles of association (or in any other document they refer to) and reflect the fair market value of the shares at the time of the redemption or withdrawal.
- The corresponding capital reduction must take place within a period not exceeding six months.

The general anti-abuse rule remains applicable in case of abuse of law. If the class of shares redeemed is held directly by an individual with a significant shareholding, the Luxembourg company has to report information on the individual in its corporate income tax return.

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Mexico City introduces new disclosure requirements for residential property taxpayers

On December 27, 2024, a decree that amended several provisions of Mexico City's Tax Code (the "Decree") was published on the Official Gazette. The Decree includes the addition of a new obligation applicable to taxpayers obliged to pay the real estate property tax consisting of the filing of a disclosure return regarding the condition of the properties destined for residential use, whose ownership or possession updates the payment of such tax, with respect to their occupancy.

Such disclosure return will only be applicable with respect to properties with a cadastral value equal to or greater than MXN $4,524,974.08 (approximately USD $223,000.00).

It was not clear how the local Mexican tax authorities would address this, however on February 18, 2025, the guidelines for the filing of the disclosure return in question were published, which establish, among others, the following:

- The disclosure return must be submitted annually before the Ministry of Administration and Finance, no later than June 30 of each fiscal year.
- The disclosure return shall state, among other things, whether the real estate is occupied and its current use.
- The information provided in the disclosure return does not grant or recognize in any way ownership or possession rights, since such disclosure return is only for informative and statistical purposes.
- Taxpayers will be able to express their refusal to share the information related to the status of the properties destined for residential use with respect to their occupancy.
- Mexico City's Treasury Office must enable the necessary electronic means to file the disclosure return no later than March 2025.

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NETHERLANDS

BORGEN TAXAND Global Member

The earnings stripping measure is a general interest deduction limitation in corporate income tax. Interest is not deductible to the extent that it exceeds the higher of €1,000,000 or a certain percentage of the EBITDA. This threshold applies per taxpayer.

- Per 2025, the 20% limit increased to 24.5% of EBITDA

Per 2025, the Dutch limited partnership (CV) and foreign similar entities in principle classify as tax transparent by default. This applies to the Dutch CV, and foreign similar LP entities like SCSp, LP and KG.

- The default classification as tax transparent implies that the current "unanimous consent" requirement on LP admissions and transfers (relevant to classify as tax transparent in previous years) is no longer a requirement to qualify as tax transparent since 1/1/2025.
- The Dutch tax classification of foreign entities incomparable to a Dutch legal entity (e.g. UK LLP, Irish ULC, German KGaA, French SCPI) will in principle align with the entity's tax treatment in the foreign jurisdiction. An exception applies if the foreign entity is resident in the Netherlands, which will result in a non-transparent classification.
- **An important exception applies to Dutch and foreign fund entities.** Based on a specific Fund Rule, these may qualify as a non-transparent entity if i) it classifies as an AIF or UCITs under the Dutch Financial Supervision Act and (ii) is engaged in passive investments.
- A deemed disposal rule applies to Dutch and foreign entities switching their Dutch entity tax classification from non-transparent to tax-transparent. Certain transitional rules and roll-over relief were available, subject to meeting certain conditions

The Netherlands has a conditional withholding tax on dividend, interest and royalty payments made by a Dutch entity to an affiliated entity in a low-tax jurisdiction.

- A condition for levying conditional withholding tax is that the beneficial owner has a qualifying interest. This qualifying interest could also be determined when there is a cooperating group. In practice, the concept of cooperating group was unclear.
- Per 2025, the concept of cooperating group is replaced with the concept of qualifying unit.
- A qualifying unit exists if (i) entities are acting together and (ii) the main objective or one of the main objectives for this acting together is to avoid conditional withholding tax.

Per 2025, Dutch funds benefiting from the FBI-regime (also: REIT regime) will be restricted from directly holding real estate in the Netherlands.

- An FBI can still hold real estate indirectly through e.g. a regularly taxed company.
- Transitional rules applied during 2024, allowing a RETT-neutral conversion of existing FBIs into tax-transparent fund structures.
- The FBI-regime continues to be available for other (i.e. non-Dutch real estate) investments.

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CRIDO

WHT developments

Polish tax authorities are very aggressive in applying the EU Directives WHT exemptions / DTT rates. In the current tax environment in Poland, a challenge from the tax authorities on the WHT exemption in any structure cannot be excluded, regardless of the substance position of the foreign taxpayer. One of the elements increasing the risk is the lack of or low effective taxation of the payment at the level of the holding / financing entity.

In this respect, two general tax rulings have been issued recently by the Polish authorities. The first one confirms that a holding entity can benefit from the Parent Subsidiary Directive even if a dividend is exempt at the holding level. According to the second ruling, exemption under the Interest and Royalties Directive is possible only if the interest does not benefit from any type of exemption at the level of the lender. The rulings should be taken into account for the application of WHT exemptions being one of the key investments' factors in Poland.

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Measures are introduced to reverse the effects of the partial annulment of the tax measures introduced by Royal Decree-Law 3/2016 of 2 December.

The Constitutional Court annulled certain tax measures introduced by Royal Decree-Law 3/2016, which violate Article 86.1 of the Constitution. To counter this declaration of unconstitutionality, Law 7/2024 provides, with effect from January 1, 2024, three measures: (i) the reestablishment of the most restrictive limits for the compensation of negative taxable bases by large companies, based on their net turnover (25% for companies with a net turnover of more than EUR 60 million, and 50% for companies with a net turnover of between EUR 20 and 60 million); (ii) the reintroduction of the limitation on the application of deductions for double taxation for taxpayers with a net turnover equal to or greater than EUR 20 million, setting a maximum of 50% of the gross tax liability; and (iii) the reestablishment of the regime of mandatory reversal of impairment losses on securities representing capital or equity deductible before 2013, with integration in the taxable income in three fiscal years starting in 2024 in equal parts.

Limit on offsetting of individual BINs in tax groups extended to 2024 and 2025.

The 50% limitation on the use of individual tax losses (BIN) generated in the same year in the taxable income of tax groups, introduced in 2023, is extended to 2024 and 2025. Foundations subject to the general corporate income tax regime that are part of a tax group are excluded. The adjustments resulting from this limitation must be reversed in equal parts in ten consecutive fiscal years. In the event of loss of the tax consolidation regime or extinction of the group, the pending eliminations will be integrated in the individual taxable income of each affected entity.

Pillar 2 in Spain: Global Minimum Tax for large groups approved

Law 7/2024, of December 21, transposes Council Directive (EU) 2022/2523 in Spain, establishing a supplementary tax (FT) to guarantee an overall minimum level of taxation of 15% for multinational and domestic groups with a consolidated revenue of more than EUR 750 million in at least two of the previous four fiscal years. This tax, applicable to groups with presence in Spain, is structured in three modalities: (i) the Domestic Minimum Top-up-Tax (“TUT”), applied to all Spanish constituent entities; (ii) the primary TUT, applicable to ultimate or intermediate parent companies of groups resident in Spain with respect to income obtained by foreign constituent entities; and (iii) the secondary TUT, applicable from 2025 or 2026 to Spanish resident constituent entities of groups not subject to a similar tax in other jurisdictions.

Subject entities must file an information return, except when the ultimate parent company is resident in Spain, or the group complies with this obligation in a country with an information exchange agreement. During the transitional period, the first return will be due on June 30, 2026, and in subsequent years, it will be filed within 15 months after the end of the fiscal year.

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Overview

The new Labour Party Government's first budget took place on 30 October 2024, in which a number of changes relevant to real estate taxation were announced.

"Reserved Investor Fund" (Contractual Scheme) or "RIF"

The RIF, a new tax privileged fund type expected to be of particular interest to investors in UK commercial real estate, is to be introduced. We expect it to be available from 6 April 2025 and, for the right investor base, to be a viable alternative to the popular offshore structure, the Jersey Property Unit Trust.

Although the rules are yet to be finalised, it is expected that the RIF will be transparent for income tax purposes and not subject to tax on gains, with transfers of its units being free from stamp taxes. It is expected that investors will usually only be subject to tax on gains when they dispose of their units in the RIF, with non-residents potentially falling within the UK's non-resident capital gains tax charge.

For more detail, please click here

Significant reform of carried interest taxation

On 6 April 2025, the current minimum carried interest charge will rise from 28% to 32%. More fundamentally, from 6 April 2026, all carried interest returns (regardless of their underlying source) will be subject to tax as trading income - at rates of up to 45% plus 2% NICs. However, "qualifying" carried interest will have an effective tax rate (including NICs) of around 34.1%.

As real estate fund managers commonly cannot access the current 28% capital gains tax rate (due to a significant amount of their returns being income in nature) and instead are taxed at rates of up to 45%, the move to a flat rate of around 34.1% may benefit them.

The Government is considering the detailed design of the new trading income regime.

Business Rates

The Government announced a package of business rate (a tax on the value of commercial properties) measures to support the retail, hospitality and leisure (RHL) sectors. The current relief for eligible RHL properties will be extended to 2025–26 but be reduced from 75% to 40%. In addition, it is expected that business rates for RHL properties with a "rateable value" of under £500,000 will be permanently lowered from 2026-27, such reduction to be funded by increasing the business rates payable for properties with a rateable value of at least that amount.

Stamp Duty Land Tax (SDLT)

Surprisingly, the Labour Party did not fulfil its pre-election pledge to raise the SDLT surcharge paid by non-UK residents: this remains at 2%. However, from 31 October 2024 the SDLT additional dwellings surcharge was increased from 3% to 5% and the single rate of SDLT payable by companies and non-natural persons acquiring dwellings for more than £500,000 was increased from 15% to 17%.

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UNITED STATES

Leo Berwick

US Federal Income Tax Changes

- **Bonus Depreciation** - The new US administration is aiming to renew provisions of his signature 2017 Tax Cuts and Jobs Act which set to expire in December, including 100% bonus depreciation. This provision allows businesses to deduct the full purchase price of qualifying property in the year of purchase.

- **Individual SALT Deduction Cap** - The new US administration is seeking to eliminate the individual cap on state and local income and property tax deductions, which is $10,000. This proposal is expected to benefit homeowners in high-tax states and by increasing disposable income, it may have the effect of stimulating the real estate market.

- **End Carried Interest** - In early February, President Trump outlined his tax priorities in a meeting with Republican law makers. One item he mentioned that was not highlighted on his campaign trial was the ending of the carried interest tax break used by private equity fund managers and venture capitalists to pay lower rates on their earnings from investments. This measure generally enjoys bipartisan support.

State and Local Tax Considerations

The US administration's current appetite for new tariffs should be closely monitored to determine if the market value of real property has been negatively impacted and is especially true for industrial REIT portfolios. To the degree both direct and indirect (e.g., tenant) impacts can be quantified, including reduced revenues and valuations, such information can be used to reduce property taxes.

Factors to consider include:

- Tariff-Specific Industry Effects - Some tariffs can disproportionately affect certain industries (e.g., manufacturing, shipping, or exports). If a REIT's industrial properties house tenants in impacted industries, the reduced demand or financial instability of tenants could negatively affect property revenues and valuations.

- Lien Dates - Tax Authorities generally require taxpayers to show proof that economic impacts occurred before the assessment date (e.g., January 1st) which may affect the assessment year in which property tax appeals should be focused (e.g., 2025 impact affects 2026 assessment year).

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ABOUT TAXAND

Taxand is a global organisation comprising top tier local independent tax advisory firms who together provide high quality, integrated tax advice to clients worldwide.

Overall, there are more than 700 tax partners and over 3,000 tax advisors in 51 countries, focussed on understanding you and your business needs; collaborating to deliver tailored, practical local and international tax advice, in consideration of your strategic goals.

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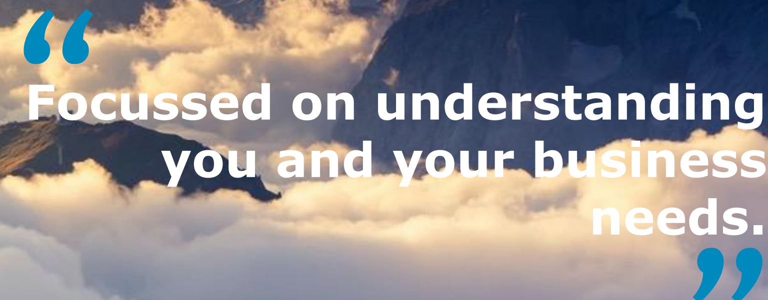

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