

REAL ESTATE FUND STRUCTURES

The right structure can maximise your returns



Whilst the availability of new bank finance remains restricted, we expect to see further activity in relation to alternative routes to finance. This will include greater investment from both UK and overseas equity funds. The net returns to these funds will depend on the status of the investor and the type of investment entity. It is important to understand the tax implications of any potential structures being considered as the table overleaf illustrates.

Our dedicated team of real estate experts will be able to assist with:

- Planning a structure tailored to the needs of prospective investors and that meets regulatory standards
- Advising upon approaches to mitigate tax leakage
- Securing eligibility for capital allowances (tax depreciation)
- Evaluating your fund choices based upon our wealth of practical experience of working with fund structures, both in the UK and internationally.

When we meet with you we will go through in more depth the underlying assumptions, their relevance to your business model and help you identify the most suitable structure for your particular circumstances.

“Recent tax proposals have significantly changed the tax parameters for real estate investors as the rates of tax on personal income and capital gains have risen relative to corporation tax rates which are planned to reduce to 22% in 2014. As ever, getting the right structure for real estate investment in the UK is vital for maximising returns.”

PHILIP SPENCER, UK TAX PARTNER, BDO

ABOUT BDO

BDO LLP is the UK Member Firm of BDO, the world's fifth largest accountancy network, with more than 1,000 offices in over 100 countries (including exclusive alliances of BDO Member Firms). In the UK we have offices in Birmingham, Bristol, Cambridge, Chelmsford, Gatwick, Glasgow, Hatfield, Leeds, London, Manchester, Northern Ireland, Reading and Southampton.

Investor	REIT			Offshore Co			Limited partnership			Offshore Trust (Baker)			UK Co		
	Income	Gains	Exit	Income	Gains	Exit	Income	Gains	Exit	Income	Gains	Exit	Income	Gains	Exit
UK resident and domiciled individual	45	45	28	44.5	30.6	28	45	28	28	45	28	28	45.9	45.9	28
UK resident and non-domiciled individual (funds remitted)	45	45	28	44.5	30.6	28	45	28	28	45	28	28	45.9	45.9	28
UK resident and non-domiciled individual (funds not remitted)	20	20	0	20	0	0	20	0	0	20	0	0	22	22	0
Non UK resident individuals	20	20	0	20	0	0	20	0	0	20	0	0	22	22	0
UK tax resident company	22	22	22	20	22	22	22	22	22	22	22	22	22	22	22
Non UK tax resident company	20	20	0	20	0	0	20	0	0	20	0	0	22	22	0
Tax exempt Pension fund	0	0	0	20	0	0	0	0	0	0	0	0	22	22	0

PROVEN EXPERIENCE

You will benefit from our breadth of knowledge, both in the UK and internationally through our network of over 1,000 offices world-wide, the depth of our industry understanding and the tailor-made approach we take to each individual situation.

In addition, we are able to advise you on all stages of the fund investment, from the initial structuring, to ongoing tax and regulatory issues as well as audit and assurance services.

We are advisers to many of the leading names in the real estate sector. Our specialist real estate and construction team ensure they are up to date with commercial developments and share this information with clients in a way which is relevant to their business.

TABLE: INDICATION OF POTENTIAL UK TAX LEAKAGE FOR ALTERNATIVE COMMERCIAL PROPERTY FUND STRUCTURES

The table is an indication of UK tax outflow for different fund structures (based on gross returns of 100 from UK commercial investment property) incorporating the tax rate changes that were introduced in the 2012 Finance Act.

Please note: Various assumptions have been made with regard to the tax profile of the investors and the structures they might use to hold their investment in the fund, for example, the use of a trust by a non-domiciled investor. The tax rates used take account of tax rates proposed and changes introduced in the 2012 Budget and 2012 Finance Act. The chart is no substitute for specific advice in relation to the circumstances of the proposed investment; for example, proposed changes could give rise to different outcomes in future for residential property

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