



maximising your VAT processes by minimising exposures.*

Real Estate European VAT Scan

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Investment management and real estate firms are facing a complex puzzle of challenges and opportunities. The 2006 Global Investment Management Survey of PricewaterhouseCoopers showed that, although investments management firms are optimistic about growth, they will have to tackle great challenges in areas such as portfolio management, cost of compliance, risk management and remuneration. PwC's Real Estate European VAT Scan can help you control your VAT compliance, manage and streamline your VAT processes, and minimise your VAT exposures.

VAT can be a major factor in the acquisition price of a property investment. Depending on the VAT regime in the country where the investment property is located, the taxable or exempt use of the building and the level of compliance with all tax and legal procedures, VAT may or may not represent a cost item to a real estate firm.

The European VAT Scan for the real estate sector can help you manage your pan-European VAT position. Some of the questions to answer are:

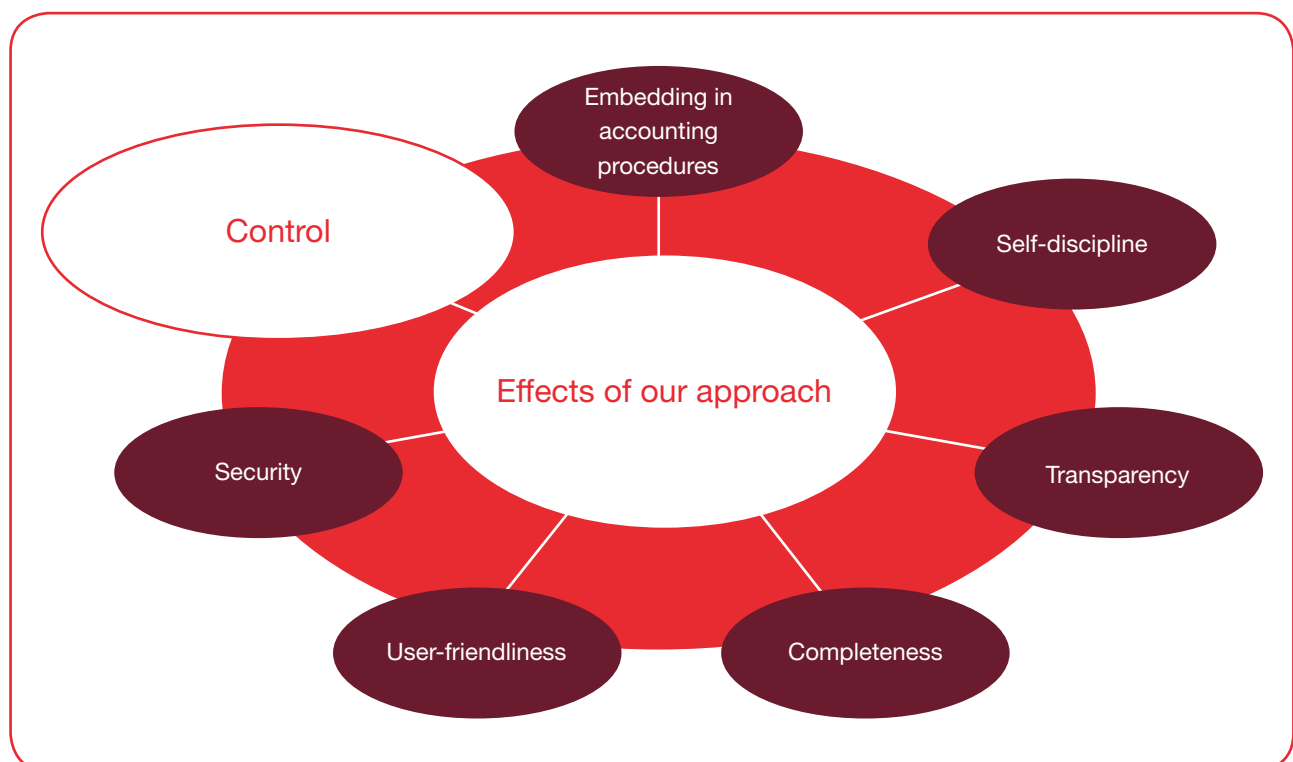
- Do you have a process in place to secure that the VAT implications of all business transactions are correctly incorporated into the VAT return?

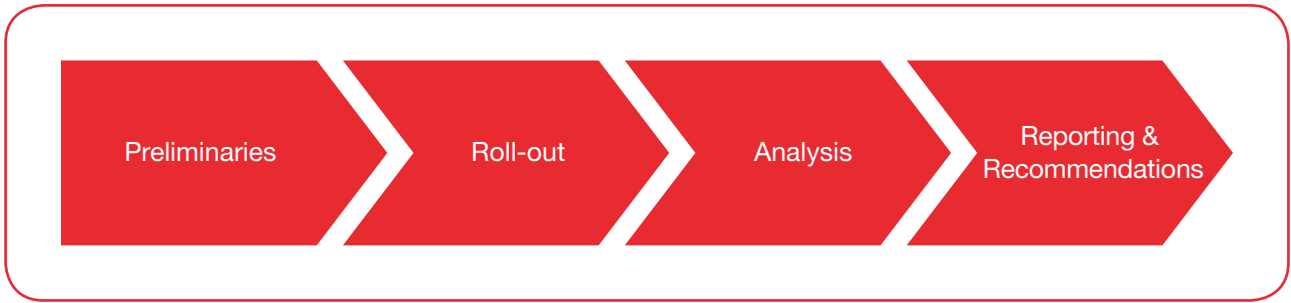
- Are you certain that, when buying or selling real estate, the VAT consequences are taken into account and that all formalities have been fulfilled?
- Are you aware of all VAT consequences of a change in lessee?

Planning the project process is key

The objective of the VAT Scan is to establish whether VAT principles and key controls are properly embedded in an enterprise's VAT processes, thereby eliminating any VAT exposures. The Scan is based on a fact-finding review of the situation "as is".

The VAT Scan introduces four different stages towards meeting the objective. The result of the European VAT Scan can best be summarised as follows:





Phase I – Preliminaries

Based on the specifics of the multinational real estate firm, questionnaires will be prepared, including a section on general issues for review and a section on country-specific issues for use during the interviews, which are designed in a strict format.

The general section contains questions on VAT issues that apply to management and financing activities in each country, whilst the country-specific section addresses VAT issues related to the acquisition, pipeline projects, lease and disposal of property in each country.

Phase II – Roll-out

In each country participating in the survey, local PwC real estate and VAT specialists will conduct one-day interviews with local key staff; they will collect the data necessary to identify and assess potential VAT exposures. Documentation and information on the issues that have been identified will be provided by the firm under review.

Phase III – Analysis

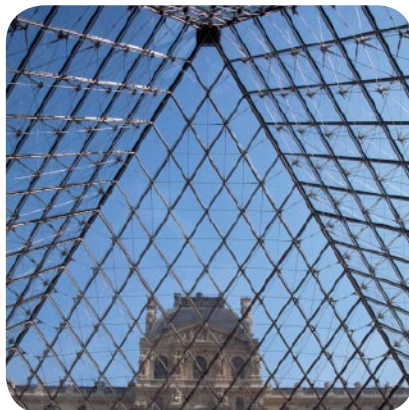
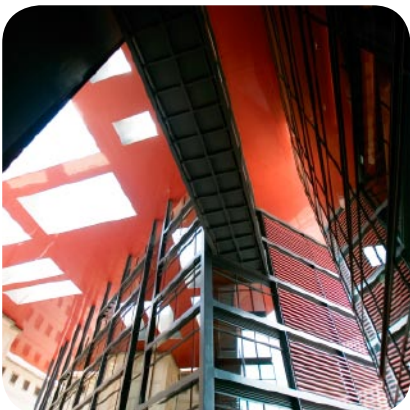
The information collected in Phase II will be processed and assessed by a local PwC real estate VAT specialist. The preliminary outcome of the country analysis is then discussed with the local branch before the final report is drafted.

Phase IV – Reporting & Recommendations

In this stage, our VAT specialists perform an in-depth technical analysis in each of the participating countries, after which they will issue a report addressing the maximum exposure to tax assessments, interest and penalties triggered by the key findings on VAT compliance, acquisition, lease and sale of immovable property.

Based on the report, recommendations will be made and a manual will be drafted containing guidelines for the design and management of VAT processes.

The Scan helps management regain control of VAT processes and embeds key controls in the financial accounts, thereby preventing unexpected VAT exposures.



VAT and Real Estate

The correct VAT treatment of transactions is of the utmost importance when dealing with real estate. Anyone dealing with real estate or managing a portfolio of rental property, or who is operating in the construction industry, is well-advised to study closely the opportunities and risks associated with VAT.

Challenges for your business

Real estate transactions frequently result in high VAT charges. You will be often confronted with the following questions:

- Is VAT due on the sale, purchase or lease of real estate?
- Is the income from real estate subject to VAT?
- How must a restructuring of real estate within a group of companies be treated for VAT purposes?
- What must be kept in mind when real estate is subject to mixed use (partly business, partly private, partly leased)?

Your opportunities

VAT rules in different jurisdictions contain a range of provisions that allow for optimisation of the VAT charge on real estate, for example:

- Option to tax real estate income with the consequence that input VAT is fully deductible;
- VAT deferrals when transferring business premises;

- Optimising the input tax deduction by use of an appropriate allocation key;
- Assessment of the risk in connection with self-supply during the construction phase.

Our solutions

PricewaterhouseCoopers has a worldwide network of highly qualified and experienced VAT specialists who can offer you the following support:

- Drawing up decision trees outlining the options and consequences for exercising the option to tax real estate income;
- Dealing with administrative procedures such as registration for tax liability, application for option, VAT returns, claiming input taxes;
- Designing VAT compliant documentation for real estate transactions and support in the implementation of VAT requirements for fixed asset accounts;
- Determining the correct allocation method for claiming entitlement to input tax deduction;
- Correct implementation of VAT in lease contracts and charges statements;
- Advice on complex VAT questions for joint owners or condominiums;
- Correct calculation and declaration of self-supply during the construction phase.

More information?

In PricewaterhouseCoopers you have a dedicated partner who can help you achieve your goals through every phase of the real estate cycle and across a broad spectrum of activities – governance, risk and compliance, financial reporting and business development strategies. Our VAT specialists are a part of the Real Estate Tax Group and work closely with the Real Estate Advisory Services team, providing all-round services to real estate investment firms.

For more information about the Real Estate European VAT Scan, please contact:

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At PricewaterhouseCoopers in The Netherlands, over 4400 professionals work together in 19 offices and from three different points of approach: Assurance, Tax and Human Resource Services, and Advisory. On the basis of our philosophy, Connected Thinking, we supply sector-specific services and seek surprising solutions – not only for large national and international companies, but also for government entities and non-profit organisations, as well as for medium-sized and smaller enterprises.

As an independent part of a worldwide network of more than 140.000 colleagues in 149 countries, we are able to draw upon a huge amount of knowledge and experience. We share this with each other, with our clients and their stakeholders.

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