

OECD report proposes measures for international tax transparency on real estate

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In brief

What happened?

The OECD published a new report, [Strengthening International Tax Transparency on Real Estate - From Concept to Reality](#), on 25 July 2024. This report proposes measures for international exchange of information and due diligence regarding foreign-owned real estate, noting the current state of play and potential challenges for enhancing international tax cooperation in this area. The proposals aim to build a framework for improving international collaboration and reliable data sharing among tax administrations with respect to cross-border real estate (beneficial) ownership.

Why is it relevant?

This report proposes an information reporting framework and exchange of information regime for real estate analogous to other tax transparency reporting frameworks such as the OECD Common Reporting Standard. Relevant businesses should be conscious of these developments, and aware of the potential impacts if an enhanced international exchange of information regime on cross-border ownership and income from real estate were to be globally adopted in the foreseeable future.

Businesses and investors involved in real estate investments should be aware of the increased focus on transparency and potential increased scrutiny on the ownership structures of real estate assets. Should an international framework for the common reporting of real estate information be adopted, real estate intermediaries would need to maintain accurate records of relevant information to report to tax authorities and be ready to comply with new rules.

In detail

The report outlines six building blocks within three key steps to enhance tax transparency on real estate.

The first step involves the regular exchange of readily available information on real estate transactions, holdings, and income between tax administrations. This would require understanding the information jurisdictions currently have and need and designing a legal basis for automatic and spontaneous exchange of information for interested jurisdictions.

The second step enhances the consistency and quality of the information through common due diligence and reporting requirements. This would involve imposing obligations on relevant service providers to collect and report information to tax authorities regarding the tax and beneficial ownership details of parties involved in real estate transactions, as well as on the financial details of the transactions and the recurrent income from real estate.

The third step aims to enhance real-time access for tax authorities to beneficial ownership information in respect of foreign real estate held by their taxpayers. The report suggests leveraging existing beneficial ownership registers and digital land registers and interlinking such registries to provide tax authorities with fast-track access to up-to-date information.

The report assesses the costs and benefits of each step and building block, and acknowledges that they can be adopted incrementally by interested jurisdictions, considering their capacity and resources, with a view to progressively moving towards a landscape of intensified international cooperation on real estate.

Observation: Whilst the report seeks to assess the costs and benefits of the initiatives proposed, it is noteworthy that this is predominantly an analysis from the perspective of tax administrations, and not the intermediaries who will carry the burden and administrative cost of providing the relevant real estate information to tax authorities.

The report indicates that technical work is underway to give shape to the first step, and that further exploratory work will be undertaken for the second and third steps, with a view to reporting back to the G20 Finance Ministers and Central Bank Governors in 2025 on the further progress made. Impacted stakeholders should continue to monitor the development of these initiatives in international fora.

Observation: The proposals on real estate tax transparency in the 2024 [OECD report](#) are still in the initial stages of policy development, with many aspects yet to be determined. However, impacted stakeholders should note its development, as tax transparency initiatives emanating from the OECD have a history of being adopted and implemented by regional organisations such as the European Union through their [Directive on Administrative Cooperation in the field of taxation](#). Therefore, we could possibly see a real estate international tax transparency initiative emerge as a DAC10 or DAC11 in future years. This would require mandatory implementation of the measure in all EU Member States.

Let's talk

For a deeper discussion on how real estate international tax transparency might affect your business, please contact:

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