Key Tax Issues at Year End for Real Estate Investors 2026/2027

An overview of year-end tax considerations and important issues in real estate taxation in 35 tax systems worldwide

Introduction

International tax regimes are diverse, complex and variant, and are usually full of fixed dates, terms and deadlines. These dates, terms and deadlines need to be observed carefully in order to avoid penalties and to receive certain tax reliefs or exemptions. At year end these obligations become even more difficult to understand and fulfil, particularly for real estate investors with investments in numerous countries.

This publication gives investors and fund managers an overview of year-end tax considerations and important issues in real estate taxation in 35 tax systems worldwide.

Furthermore, it highlights what needs to be considered in international tax planning and the structuring of real estate investments.

Please note that the list of year-end tax considerations is not exhaustive. This content is for general information purposes only and should not be used as a substitute for consultation with professional advisors.

We hope that you will find Key Tax Issues at Year End for Real Estate Investors 2026/2027 a useful reference and source of information. We would be pleased to assist you with any further requests relating to your specific circumstances.

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List of abbreviations

AEST	Australian Eastern Standard Time
AED	United Arab Emirates Dirham
AIA	Annual Investment Allowance
ACD	Additional Conveyance Duties
ACDB	Additional Conveyance Duties for Buyers
ADB	Asian Development Bank
Ai	Artificial Intelligence
AIF	Alternative Investment Fund
AIFs	Alternative Investment Funds
AIL	Approved Issuer Levy
ATAD	Anti-Tax Avoidance Directive
ATAD I and II	Anti-Tax Avoidance Directives
AoC	Acquisition of Control
BAT	Business Activity Tax
BIR	Bureau of Internal Revenue
B2B	Business-to-Business/Business-to-business
B2G	Business-to-Government
BTR	Build-to-Rent
BSD	Buyer Stamp Duty
CAC	Covered Asset Company
CCA	Capital Cost Allowance
CBD	Central Business District
CBCR/CbC	Country-by-Country Reporting
CDA	Capital Deduction Allowance
CFC	Controlled Foreign Company
CIA	Investment Contracts for Leasing
CIR	Corporate Interest Restriction

CIT	Corporate Income Tax
CPB	Preventive Composition Procedure
CRA	Canada Revenue Agency
CUCA	Cuenta de Capital de Aportación
CWT	Creditable Withholding Tax
CZK	Tschechische Krone
DDA	Dividend Declared Deductions
DMTT	Domestic Minimum Top-up Tax
DAC 6	Directive on Administrative Cooperation
DDT	Double Tax Treaty
DDCR	Debt Deduction Creation Rules
DDA	Dividend Declared Deductions
DST	Documentary Stamp Tax
DTA	Deferred Tax Asset
DTT	Double Tax Treaty
DTL	Deferred Tax Liability
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EBITD	Taxable income inklusive Zuschüsse
EC	European Commission
ECJ	European Court of Justice
EEA	European Economic Area
EIFEL	Excessive Interest and Financing Expense Limitation
EOI	Exchange of Information
ERP	Enterprise Resource Planning
EU	European Union
EUR	Euro
EOPT	Ease of Paying Taxes
FAIA	Fichier Audit Informatise TVA (Electronic Structured Audit File for VAT)
FGR	Fund for joint account (fonds voor gemene rekening)

FIBRA	Fondo de Inversión en Bienes Raíces
FPI	Foreign Portfolio Investors
FRCGW	Foreign Resident Capital Gains Withholding
FTA	Federal Tax Authority
FY	Fiscal Year
GAAR	General Anti-Abuse Rule
GBP	British Pound
GloBE	Global Anti-Base Erosion
GST	Goods and Services Tax
HST	Harmonized Sales Tax
IFRS	International Financial Reporting Standards
IHRU	Institute for Housing and Urban Rehabilitation
IMCA	Minimum turnover tax
IMI	Municipal Property Tax
IMT	Municipal Property Transfer Tax
INR	Indian Rupee
INE	National Statistics Institute
ITA	Income Tax Act 1947
IRS	Internal Revenue Service (USA), Personal Income Tax
ITA	Income Tax Act
ISA	Indici Sintetici di Affidabilità
IIR	Income Inclusion Rule
IRC	Corporate Income Tax
ITA	Income Tax Act
JPK_CIT	Standard Audit File für Unternehmenssteuern
JPK_VAT	Standard Audit File für Mehrwertsteuer
K3/K2	Schwedische Buchführungsrahmen
KRW	Korean Won
KZT	Kazakhstan Tenge

LPT	Local Property Tax
LGU	Local Government Unit
LLC	Limited Liability Company
LLP	Limited Liability Partnership
Lda	Portugiesische Kapitalgesellschaft
MAMP	Minimum Average Maturity Period
MAT	Minimum Alternate Tax
MCIT	Minimum Corporate Income Tax
MDR	Mandatory Disclosure Rules
MLI	Multilateral Instrument
MNE	Multinational Enterprise
MREC	Mutual Real Estate Company
MTF	Multilateral Trading Facility
MXN	Mexican Peso
NAICS	North American Industry Classification System
NFE	Net Financial Expenses
NIRC	National Internal Revenue Code
NOK	Norwegian Krone
NOL	Net Operating Loss
NOLCO	Net Operating Loss Carry-over
NRWT	Non-resident Withholding Tax
NWT	Net Wealth Tax
NZ$	New Zealand Dollar
OIV	Overseas Investment Vehicle
OECD	Organisation for Economic Co-operation and Development
OIO	Overseas Investment Office
ONETT	One-Time Transaction
PAIFs	Property Authorised Investment Funds
PCG	Practical Compliance Guideline

PE	Permanent Establishment
PFV	Project Financing Vehicle
PHL	Philippinen
PHP	Philippine Peso
PLN	Polish Złoty
PMD	Productivity Mega Deduction
PO	Public Offer
PPA	Purchase Price Allocation
PVS	Philippine Valuation Standards
QDMTT	Qualified Domestic Minimum Top-up Tax
QOF	Qualified Opportunity Fund
QOZ	Qualified Opportunity Zone
QOZB	Qualified Opportunity Fund Business
QIPs	Quarterly Instalment Payments
RA	Republic Act
RAIFs	Reserved Alternative Investment Funds
RAT	Real Estate Tax
REIT	Real Estate Investment Trust
REIVs	Real Estate Investment Vehicles
RFR 2	Reporting for Legal Entities – schwedischer Standard
RMC	Revenue Memorandum Circular
RPT	Real Property Tax
RRS	Revenue Regulations
RTP	Reportable Tax Position
RSAA	Simplified Affordable Leasing Regime
SAF-T	Standard Audit File for Tax
SA	Société Anonyme
SC	Singapore Citizens
SEBI	Securities and Exchange Board of India

SEZ	Special Economic Zone
SEZs	Special Economic Zones
SGD	Singapore Dollar
SGPS	Sociedade Gestora de Participações Sociais
SIFs	Specialized Investment Funds
SME	Small and Medium Enterprises
SM	REITs Small and Medium REITs
SOCIMI	Spanischer REIT
SPA	Share Purchase Agreement
SPV	Special Purpose Vehicle
SPVs	Special Purpose Vehicles
SSD	Seller's Stamp Duty
SWF	Sovereign Wealth Fund
TP	Transfer Pricing
TPR	Transfer Pricing Report
TPR-C	Transfer Pricing Report for Corporate Income Tax
TR	Taxation Ruling
TRS	Taxable REIT Subsidiary
TRY	Turkish Lira
TIF	Thessaloniki International Fair
UAE	United Arab Emirates
UPE	Ultimate Parent Entity
UK GAAP	United Kingdom Generally Accepted Accounting Practice
UCITs	Undertakings for Collective Investment in Transferable Securities
UTPR	Undertaxed Profits Rule
VAT	Value Added Tax
VHT	Vacant Homes Tax
WHT	Withholding Tax

01

Europe

1 Austria

Income tax rates

Generally, the corporate income tax rate in Austria amounts to 23%. For financial years beginning after 31 December 2027 the CIT rate for taxable income above EUR 1m increases to 24%. There are no local corporate taxes in Austria. For individuals, a progressive tax rate of up to 55% depending on the level of income applies.

Due to the planned increase in the CIT rate, it could be considered to pull forward sale transactions with high tax profits to financial years beginning before 31 December 2027.

Tax group

In order to form a tax group between companies, a written application has to be signed by each of the group members prior to the end of the fiscal year of the respective group member for which the application should become effective. Consequently, the taxable income of the group members is integrated into the parent's income. Profits and losses can be compensated between group members.

Make sure the written application has been filed before the end of the fiscal year.

Losses carried forward

Tax losses may be carried forward for an unlimited period of time and may be offset by 75% of the total amount of the annual taxable income. However, any transfer of shares or reorganisations may lead to a partial/total forfeiture of losses carried forward.

In order to prevent negative tax consequences regarding tax losses carried forward, any transfer of shares or reorganisations should be reviewed in detail.

Substance requirements

Please note that anti-abuse provisions apply to the application of double tax treaties (DTTs) as well as to the Parent-Subsidiary Directive. Relief-at-source is available only if the direct parent company issues a written declaration confirming that

- It is an "active" company carrying out an active business that goes beyond the level of pure asset management (holding activities, group financing, etc.),
- has own employees and
- office space at its disposal (substance requirements).

Provided the requirements are not met, Austrian withholding tax (WHT) has to be deducted and the refund method applies. In that procedure the foreign company has to prove that its interposition in the structure is not abusive. Further, the lack of substance can result in the non-deductibility of certain expenses (e.g. if the company which receives interest payments has no substance and the actual beneficial owner is an affiliated company which is located in a low-tax jurisdiction). Finally, it should be mentioned that there is also a general substance- over-form provision in the Austrian Fiscal Code, is designed to counter abusive arrangements.

Substance requirements are more and more challenged by the Austrian tax authority. Therefore, it should be ensured that these requirements are met and well documented.

DAC 6

Austria has implemented reporting requirements for cross-border tax arrangements according to DAC 6.

Cross-border arrangements should be reported within 30 days in order to prevent fines of up to EUR 50,000.

Transfer pricing

Generally, all business transactions between affiliated companies must be carried out under consideration of the arm's length principle. In case that a legal transaction is deemed not to correspond with the arm's length principle, or if the appropriate documentation cannot be provided, the transaction price would be adjusted for tax purposes. Additionally, the adjustment may trigger interest payments and fines.

Further, Austria implemented mandatory transfer pricing documentation requirements as defined in Action 13 of the OECD's Action Plan on Base Erosion and Profit Shifting. A three-tiered documentation approach applies, requiring the preparation of a master file, a local file, and a country-by-country report (CbCR). The entire documentation is to be prepared in either German or English.

The arm's length principle should be duly followed and documented in order to prevent negative tax consequences. Further, the mandatory transfer pricing documentation requirements have to be considered.

Thin capitalisation rules

Under Austrian law, interest payments on senior and shareholder loans are generally tax deductible. There are no explicit thin capitalisation rules. Generally, group financing has to comply with the general arm's length requirements. A debt/equity ratio of 3/1 is usually accepted by Austrian tax auditors.

Payments made to related parties located in low-tax jurisdictions are not deductible for tax purposes in case the respective interest income is not taxed or subject to a nominal or effective tax rate of less than 15%. The low-taxation test has to be passed at the level of the beneficial owner of the income.

An Austrian group entity being financed by an affiliated entity must be able to document that the financing structure is in line with the arm's length principle. The affiliated financing entity must not be situated in low-tax jurisdictions.

Real estate transfer tax (RETT)

Generally, Austrian RETT of 3.5% on the compensation is payable upon the transfer of Austrian real estate (asset deal).

On 1 July 2025 new tightening measures concerning RETT associated with the transfer of shares in corporations and partnerships owning real estate (share deals) came into effect.

Both the "direct change of shareholders" and, subsidiarily, the "direct and indirect consolidation and transfer of shares" in the hands of one acquirer or an acquiring group constitute taxable events, for which the participation threshold was lowered from 95% to 75%.

Moreover, the term "real estate company" has been newly introduced, whose direct and indirect share consolidation and transfer will be subject to an increased RETT burden. Whereas previously RETT amounted to 0.5% of the so-called 'real estate value' as tax base, it now amounts to 3,5% of the fair market value, which in practice is significantly higher. A company is considered a real estate company if its primary focus is on the sale, rental, or management of properties, and it engages in little or no other operational activities. The classification as a real estate company is determined based on the company's assets or the income it generates.

The increased tax rate of 3.5% and the fair market value as the tax base will also apply to reorganisations within the meaning of the Austrian Reorganisation Tax Act in connection with real estate companies (otherwise the RETT amounts to 0.5% of the real estate value).

The new provisions significantly expand the scope of application for RETT in relation to share transfers materially since indirect share transfers could result in an Austrian RETT burden. Therefore, future transactions and transfers of shares will need to be scrutinised with particular attention to whether and at which shareholding level an individual case might result in a RETT burden.

Capital Duty Directive and CJEU decision Nova Iberomoldes

Based on the Capital Duty Directive and the Nova Iberomoldes case no RETT may be levied in case of certain restructurings within the scope of the Directive. These transactions include contributions of shares to a company and certain restructurings involving real estate-owning companies.

On 29 July 2026, the Austrian Ministry of Finance issued an information addressing the effects of the CJEU ruling in the Nova Iberomoldes case on Austrian RETT. According to the Ministry, the following scenarios no longer trigger RETT due to shareholder changes pursuant to Austrian RETT law:

- simple contribution of a shares in a real estate-owning company outside the scope of the Reorganization Tax Act;
- (down-stream and side-stream) contribution or de-merger of shares in a real estate-owning company or of a (partial) business including shares in such a company;
- (side-stream) merger where the transferring company's assets holds shares in a real estate-owning company;
- corresponding "diagonal" transactions (e.g. contribution/de-merger of shares in a real estate-owning company within a group between different shareholding chains at different levels, such as aunt/niece companies).

According to the Ministry, it is irrelevant whether new shares are issued or existing shares are transferred. However, from our perspective, the Capital Duty Directive should also apply for intra-group transfers where the transfer of shares is usually waived in Austria. Furthermore, there are good arguments that the Directive also applies for partnerships (based on the definitions in the Directive).

Restructurings including the transfer of shares in real estate owning companies should be carefully reviewed since many of such transactions could be RETT-exempt based on the capital duty directive. For restructurings done before June 2026 and RETT was paid, it should be reviewed whether it is possible to get an assessment notice and a complaint can be filed.

Land registration fee

The fee for the registration of real estate and transactions in the land register has to be calculated on the basis of the purchase price of the real estate. The fee amounts to 1.1%.

Real estate transactions within the family or due to reorganisations enjoy tax privileges. The registration fee is calculated based on three times of a special tax assessed value. The tax base is limited to 30% of the market value of the real estate.

Capital gains on the sale of property by individuals

Capital gains deriving from the disposal of privately owned real estate properties and business properties of individuals, which were acquired after 31 March 2002 are taxed at a rate of 30%. The tax assessment base is the profit calculated by sales price less acquisition costs.

Real estate property acquired before 31 March 2002 is effectively taxed at:

- 21% (18% up to 31 December 2026) of the sales price, if the real estate property was rededicated from green area to building area after 31 December 1987 and
- 6% (4.2% up to 31 December 2026) of the sales price without rededication after this date.

Losses arising from the sale of private real estate can be compensated with gains from other private real estate sales upon application. Further, 60% of the remaining losses can be offset with income from letting private property over a period of 15 years or in the same year (application necessary). Basically, the above-mentioned tax regime for the sale of private property is also applicable for business property held by individuals.

Losses arising from the sale of business real estate can be compensated with gains from other business real estate sales. Regarding business property, 60% of the losses can be offset against other income and any loss surplus is added to the loss carry forwards (provided that the loss has been calculated through proper accounting (double-entry accounting or accounting on a cash basis).

In addition a rezoning surcharge of 30% has to be added to the positive income from real estate sales if the property was rezoned after 31 December 2024. This regulation does not only apply to individuals but also to corporations.

The special tax regime is not applicable for corporations since all their profits (including capital gains resulting from the sale of real estate) are taxed with the standard CIT rate of currently 23%.

Gains from the sale of private property are subject to income tax with a special tax rate of 30%.

Transfer of hidden reserves realised from capital gains on the sale of property

Capital gains realized from the sale of real estate property that was held for at least seven years (in certain circumstances 15 years) as business property by individuals (not corporate investors) are not taxed under the condition, that such gains are used to reduce the book value of fixed assets purchased or manufactured within the financial year of the sale.

In case the hidden reserves are not transferred within the financial year of the sale, they can be used to form a tax-free reserve. If this tax-free reserve is not used within a 12-month period (or 24 months under certain circumstances), it is assigned to taxable income.

A potential transfer of hidden reserves should be reviewed to identify and address any immediate tax implications.

Interest limitation rule

Austria implemented the interest limitation rule required by Article 4 of the Anti-Tax-Avoidance Directive (ATAD). The rule caps the deduction of net interest expenses at 30% of the taxable result (the tax-relevant EBITDA).

Nevertheless, taxpayers can make use of carry-forward options for interest expenses and unused EBITDA and numerous exceptions (e.g. EUR 3 million de minimis, stand-alone entities, loans granted prior to 17 June 2016, equity test based on consolidated accounting). Within a tax group, it is important to note that the interest limitation rule as well as exceptions only apply on group level

Existing and future financing structures should be examined and planned in detail to mitigate increased taxation and to ensure interest deduction.

2 Belgium

Tax advanced payments

Unless a company pays its Belgian corporate income taxes by means of timely tax prepayments, a surcharge of 6.75% (assessment year 2027) will be due on the final corporate tax amount. The bonification rates decrease progressively throughout the year, from 9% (Q1) to 4.5% (Q4).

Ensure the advance payments are made on time (fourth payment to be done by 21 December 2026) to minimize or eliminate the tax increase.

Withholding tax

Belgian tax authorities continue to audit withholding tax exemptions/reductions on passive income, especially dividends and interest. In any case, formalities will need to be properly and timely fulfilled as always.

Review applied WHT treatment and be prepared to defend the compliance of their tax positions (incl. the appropriate and relevant functional level of substance and beneficial ownership).

Dividend and capital gains tax exemption

Dividends between corporations are generally eligible for the 100% dividend received deduction subject to ownership, holding-period and subject-to-tax conditions. Participations of at least EUR 2.5 million below 10% must generally be financial fixed assets (unless held by a small enterprise) from assessment year 2026. The same conditions apply in order to exempt a capital gain on shares in the hands of a Belgian company.

Before year end, monitor compliance of conditions for the dividends and capital gains **exemptions**.

Deduction of interest expenses – 30% EBITDA rule

Belgium generally limits net exceeding borrowing costs to the higher of 30% tax EBITDA or EUR 3 million, with the de minimis amount allocated among Belgian group entities. Disallowed costs carry forward indefinitely, unused capacity may be transferred. The taxable basis of certain companies (i.e. SIR/GVV and FIIS/GVBF) does not include net borrowing costs in accordance with the 30% EBITDA limitation rule, if any.

Before year end, compute the estimated 30% EBITDA limit for each Belgian entity, assess capacity of deduction transfers and potential transfers within the group contribution regime.

Anti-Hybrid Mismatch

Belgian anti-hybrid rules, in force since financial year 2019 under ATAD I and II, cover both direct hybrid mismatches and imported mismatches. Payments may be denied as deductions in the context of an imported hybrid mismatch to the extent they (in)directly finance expenses that are deductible at the level of certain foreign taxpayers without any income corresponding to that cost being however included in the taxable income of the beneficiary unless an equivalent adjustment is made in one of the relevant jurisdictions.

Review exposure of hybrid mismatch or imported mismatch on intragroup financing arrangement but also third party costs before closing the 2026 financial year.

Group contribution

Subject to formalities, Belgian companies may offset profits against losses of an affiliated Belgian company. The regime generally requires 90% direct ownership (or a qualifying EEA-parent structure) and five successive calendar years of affiliation. The law of 18 December 2025 removed the previous discrimination of applying group contribution in combination with the DRD regime. SIR/GVV and FIIS/GVBF themselves are excluded, but the regime remains available for real estate held through ordinary Belgian companies (e.g., project companies or SPVs).

Investors holding Belgian real estate through ordinary companies should, before year end, assess whether group contribution can be applied between their Belgian SPVs.

Tax losses carried forward

Belgian tax losses generally carry forward indefinitely but may be forfeited after a change of control lacking legitimate economic needs. The basket rule limits use of certain tax attributes to 70% of profits above EUR 1 million (SME may be exempt subject to conditions).

In case of a change of control, document the restructuring's legitimate economic needs.

Pillar 2 considerations

Belgium's minimum tax law (Pillar Two) applies to multinational and large domestic groups with consolidated turnover exceeding EUR 750 million. In-scope groups must make advance payments for the QDMTT and/or IIR. All filing deadlines for the QDMTT return, IIR return and GIR notification whose statutory deadline falls before 31 October 2026 have been extended to 31 October 2026. Administrative guidance is available in Circular Letters 2025/C/68 and 2026/C/72.

File outstanding QDMTT, IIR and GIR notification returns by 31 October 2026. Ensure Pillar Two advance payments are made before 21 December 2026. Going forward, the statutory QDMTT deadline is the last day of the eleventh month after fiscal year-end.

Transfer pricing

Generally, all related-party cross-border payments must comply with the arm's length principle. Failure to present appropriate documentation to the tax administration might result in the non-acceptance of group charges and penalties for tax purposes.

The arm's length principle should be duly followed and documented.

VAT – Residential development

The July 2025 Programme Law reinstated a 6% VAT rate for demolition and reconstruction of residential projects.

The reduced rate can apply:

- To works for residential properties intended for long-term letting
- To sale of habitation both to individuals acquiring their sole and own home and to investors, including companies,

These benefits are subject to strict substantive and procedural conditions. Developers should therefore undertake a detailed assessment of each project before relying on the reduced rate in their pricing and contractual arrangements.

E-invoicing as from January 2026

Since January 2026, Belgian companies must issue and receive structured e-invoices for all non-exempt domestic B2B transactions.

Ensure invoicing systems and B2B processes comply with the Belgian e-invoicing mandate before year end.

VAT on rent

Since 2019, landlords and tenants may jointly opt to apply VAT to the letting of commercial buildings, including offices and retail premises.

- A key condition is that VAT on the relevant construction works – or substantial refurbishment creating a new building for VAT purposes – started after 1 October 2018.
- This date restriction does not apply to qualifying warehouses, where more than 50% of the premises must be used for storage and no more than 10% as sales space.

For office refurbishment projects, developers should assess whether the works are sufficiently extensive to qualify the building as new for VAT purposes, allowing VAT-taxed letting and recovery of the related input VAT.

Controlled Foreign Company (CFC) rules

A foreign company or permanent establishment may be a CFC if a Belgian entity holds majority voting rights or at least 50% of capital or profit rights and the entity is taxed below 12.5% or not taxed. Starting in 2024, non-distributed passive income from CFCs is taxed at the level of the Belgian shareholder; reporting remains required even if a substance exemption applies.

Before year end, assess potential CFCs and reporting requirements, including for entities claiming the substance exemption.

DAC 6

In relation to the reporting requirements for cross-border tax arrangements, there is a thirty-day turnaround period to report to domestic tax authorities.

In other words, **reportable cross-border arrangements must in principle be reported within 30 days after having been made available for implementation,** being ready for implementation or the first step in their implementation was taken (whichever occurs first).

Deduction for investments

Since 1 January 2025, the investment deduction has three tracks: a base deduction (10%/20% for SMEs), a technology deduction (13.5%) and a thematic deduction at 40% for SMEs/30% for others (standardized at 40% from tax year 2027). Claiming the thematic deduction requires a formal certificate from the competent authority. The filing deadline of 30 June 2026 is expected to be extended to approximately end of 2026 pending a Governmental Cooperation Agreement.

Verify whether planned investments qualify under the thematic lists and submit the certification application within the applicable deadline.

Capital gains on financial assets

From 1 January 2026, Belgium introduced a tax on capital gains on financial assets held by individuals. A general rate of 10% applies; the first EUR 10,000 of net capital gains per taxpayer per year is exempt; qualifying holdings representing at least 20% are subject to an ascending rate structure of 1.25% to 10%, with a EUR 1 million exemption available over five years. Historical gains accrued before 31 December 2025 are exempt.

Review the practical implications of the current structures and any potential future transactions as well as ensure documentation of the business valuation as of 31 December 2025 for the historical gains exemption.

3 The Czech Republic

Corporate income tax

The general Czech corporate income tax (CIT) rate is currently 21% (until 31 December 2023, the CIT rate was 19%). There are no local corporate taxes in the Czech Republic. For individuals, a progressive tax rate of up to 23% (depending on the level of income) applies.

Value added tax

There are two VAT rates: general rate of 21% and a reduced rate of 12%

Tax group

There is no tax grouping for CIT purposes, only for VAT purposes.

Tax losses

Tax losses may, in principle, be carried forward for five tax periods immediately following the tax period in which the tax loss arose. As a measure to tackle down the COVID-19 impact, a two-year tax loss carry-back was introduced into the Czech legislation.

There is no limit to the amount of tax losses carried forward, however the carry-back is capped at CZK 30 million. Certain restrictions on the ability to redeem tax losses apply if there is a substantial change in the ownership of a company, or the company undergoes a reorganization (e.g., merger, demerger).

Real estate acquisition/transfer tax has been abolished and as such there are no transfer taxes in the Czech Republic.

Transfer Pricing

Czech tax law requires that transactions between related parties be carried out on an “arm’s length” basis (i.e., at usual market prices). If the price of a transaction differs from the price that would be agreed between independent persons under the same or similar business conditions, and the reason for this difference cannot be satisfactorily documented, the tax authorities may challenge the contracted price and adjust the tax base by the ascertained difference.

Although the transfer pricing documentation is not obligatory in the Czech Republic, it is highly recommended to prepare one to prove compliance with the arm’s length principle, as the taxpayer bears the burden of proof.

It is possible to apply for binding transfer pricing rulings from the tax authorities.

Functional currency

Since 2024, the Czech legislation includes an option to use a functional currency (EUR/USD/GBP), which may be used for bookkeeping and CIT. However, it is not yet fully implemented into all tax areas – e.g., VAT is required to be paid in CZK, as a result of which this option is rarely applied in practice.

Ongoing developments

Recently, a new Act on Accounting is in legislative process. If enacted, it will substantially change current Czech accounting rules. The new rules should provide for accounting treatment/rules closer to that under the IFRS. In connection with this, Ministry of Finance prepares a substantial amendment of the Czech Income Taxes Act reacting to the proposed changes of accounting rules. These new rules, if enacted, are expected to take legal effect not earlier than from 2028 or even 2029.

An investor may either establish a Czech legal entity that will directly acquire the real estate or acquire shares in a Czech special-purpose company that owns the property. It is common practice to hold properties in separate special-purpose companies – a limited liability company and a joint-stock company are the most frequently used types of companies for holding real estate.

Real estate investments (CIT aspects)

It is advisable to conduct a thorough due diligence review of the target company before acquiring its shares. In such a due diligence review, the legal, financial and tax positions of the company should be examined. Generally, the seller should be asked for certain representations, warranties, and indemnities regarding the legal, financial and tax position of the company.

There are no separate capital gains taxes. Capital gains are considered business profits and are as such subject to income tax. Therefore, corporate owners of real estate are subject to CIT on capital gains realized on the sale of property in the Czech Republic, at the standard CIT rate. Capital losses on the sale of real estate, including land, are generally deductible for tax purposes.

If shares in a Czech entity are sold by one foreign shareholder to another, the capital gains derived from the sale of the shares is treated as Czech-sourced income and is, therefore, subject to Czech CIT, irrespective of the residency status of the seller and purchaser.

In cross-border situations, however, subject to the wording of the relevant DTT, the gain may be outside the scope of Czech taxation. Nevertheless, in certain DTTs (e.g., between the Czech Republic and France, Finland, USA), such an exemption does not apply if the assets of the entity of which the shares are sold consist only or predominantly of immovable property.

Czech domestic law contains a participation exemption regime regarding capital gains from the sale of shares in a subsidiary. One of the main conditions for applying the participation exemption is a minimum holding of 10% of shares in the subsidiary for an uninterrupted period of at least 12 months.

Real estate investments (VAT aspects)

Acquisition of shares is VAT exempt.

The transfer of vacant land is generally VAT exempt without the entitlement to input VAT deduction; however, the sale of construction land is subject to VAT at the rate of 21%.

For the transfer of land that is a part of a functional unit with a structure (such as building) that is permanently attached to the ground, the VAT regime is determined by the respective structure.

The transfer of finished structures is generally VAT-exempt without the entitlement to input VAT deduction, except for the first transfer within 23 calendar months following the calendar month in which (i) the first building approval decision for use of the real state is issued, (ii) building approval decision after a substantial change is issued or (iii) conditions for permanent use of the real estate are met if a building approval decision is not applicable.

A substantial change is defined as construction works that exceed 30% of the value of the subsequent supply (i.e., of future sale) of the real estate.

The transfer of unfinished structures is generally subject to VAT.

Even if the VAT exemption is applicable, the vendor can decide to opt to apply VAT on sale of the real estate. If the purchaser is a VAT payer, option to VAT can be applied only upon a consent of the purchaser as such sale is subject to a local reverse-charge regime, i.e., the purchaser self-assesses the VAT, and at the same time, is entitled to reclaim the related input VAT, if general legal conditions are met.

If VAT applies to the transfer of real estate, the standard VAT rate is generally 21%. Reduced VAT rate may apply mainly in relation to construction and assembly works concerning housing and social housing; the application to a specific transaction should be assessed case by case.

If the VAT-payer purchases real estate (not exempt) for entrepreneurial activities, it is, in principle, entitled to claim the related input VAT. The VAT-payer however must always distinguish between purchased supplies related to (i) provision of VATable supplies with the entitlement to the input VAT deduction for which it has full recovery of input VAT; (ii) provision of VAT-exempt supplies without the entitlement to the input VAT deduction for which it has no recovery of input VAT; and (iii) provision of both VATable and VAT-exempt supplies for which it has partial recovery of input VAT.

In case of a change in the use of the real estate (e.g., for VAT-exempt activities with no right to claim the input VAT instead of VATable activities), there is an obligation to adjust the original input VAT claimed from the purchased real estate. The period for adjustment is 10 years.

The input VAT adjustment also applies on the costs of repair/maintenance performed on real estate if they exceed CZK 200,000.

Thin capitalization

Thin capitalization rules apply in the Czech Republic. These may limit the tax deductibility of interest payments and other related financial costs on debt financing obtained from related parties.

The debt-to-equity ratio is 4:1, i.e., interest payments and related financial costs on the portion of a related-party debt that exceeds four times the borrower's equity is tax non-deductible for the borrower.

ATAD I (interest stripping rule)

Interest costs exceeding either CZK 80 million p.a., or 30% of company's tax EBITDA are disregarded as tax non-deductible (this applies to both related and unrelated-party loans including bank financing; the test applies to net borrowing costs, which also include interest-like costs in addition to genuine interest expenses). This interest stripping rule also relates to capitalized interest and interest-like portion of leasing payment.

Any interest costs treated as tax non-deductible due to this interest stripping rule may be carried forward for an indefinite period and may be used as a deduction in the years where the threshold has not been reached (up to the amount of such threshold); however, it cannot be transferred to a legal successor in case of a merger, demerger or similar reorganization.

ATAD II (hybrid mismatches)

The EU ATAD II introduced rules into Czech income tax law aimed at preventing the adverse effects of cross border arrangements between affiliated entities where different legal classification of mainly an entity or an instrument in two countries involved ("hybrid mismatch") would lead to deduction without corresponding taxation (deduction/non-inclusion), or double deduction without corresponding double inclusion of income (double deduction), or in case of an imported mismatch.

Foreign exchange differences

Both realized and unrealized foreign exchange (FX) differences are generally subject to CIT in the tax period in which they arise.

Since 2024, it is possible to choose to exclude unrealized FX differences from the CIT base. However, it may potentially increase the related administrative burden.

Holding real estate (CIT aspects)

The basis for computing the taxable income of a company is the difference between the company's taxable revenues and its tax-deductible costs.

Tax-deductible costs generally include depreciation of buildings, structures and other assets; repairs; maintenance; real estate tax paid; and other expenses incurred to generate, assure and maintain the company's taxable income.

For several costs, it is explicitly stated in the law that they are tax non-deductible.

Except for land, real estate is generally depreciable for tax purposes. Many acquisition-related expenses (such as architect's fees, lawyer's fees, notary's fees), should be capitalized as part of the cost of the relevant real estate. Regarding interest costs incurred before putting the asset into use, the taxpayer has the option to capitalize such interest costs or not.

In the first year of depreciation, tangible assets are to be classified into one of six depreciation categories, with minimum depreciation periods ranging from three to 50 years. The sixth depreciation category (depreciated over 50 years) includes hotels, “administrative buildings” (such as office buildings), logistics property, department stores and some other assets.

Generally, for newly acquired assets, the owner of the asset will determine the method of tax depreciation. Tax depreciation may be calculated using either the straight-line method or the reducing-balance method, whichever the taxpayer selects. The chosen method of depreciation cannot be changed during the depreciation period. A taxpayer has the right to stall, and then to recommence later, claiming tax depreciation.

Special provisions need to be considered with respect to the tax treatment of fit-out works installed by the lessee in leased premises to avoid disadvantageous tax impacts for both the lessor and the lessee, especially when lease agreements are terminated.

Holding real estate (VAT aspects)

Property rental is generally VAT exempt without entitlement to input VAT deduction, except for short-term rental, accommodation services, rental of parking spaces, safety deposit boxes and machinery or other fixed equipment, which are generally subject to VAT. There is an option to tax the rental, but only in limited B2B cases; this option does not apply to the rental of residential property used for living purposes.

Construction and assembly works carried out on completed buildings for housing or social housing are subject to the reduced VAT rate of 12%, subject to the statutory conditions.

Construction and assembly works supplied in the Czech Republic between VAT payers are generally subject to the domestic reverse-charge mechanism.

Real estate tax

Real estate tax is for most corporate owners a negligible cost despite an increase in real estate tax rates from 2024. This tax is generally recovered from tenants via service charges.

4 Denmark

Corporate income tax (CIT)

The standard corporate income tax rate is 22% for corporate entities that are either i) incorporated in Denmark or ii) have their effective place of management in Denmark.

The corporate income tax applies to all types of income, including rental income. The only exclusions are real estate and permanent establishments located outside of Denmark.

Permanent establishment (PE)

Non-resident companies are liable to tax in Denmark on business profits derived through a PE in Denmark. Danish real estate may constitute a permanent establishment for the foreign company if the company has other significant activity in Denmark. However, foreign companies are subject to limited tax liability on income from Danish real estate, including rental income and profits from the sale of the Danish real estate, even if they do not have a PE in Denmark.

Foreign real estate investors should assess their Danish tax registration and tax liability position when acquiring property or expanding their activities in Denmark.

Danish tax consolidation

A mandatory tax consolidation regime obligates all Danish resident companies, permanent establishments and real estate that are members of the same Danish or international group to file a joint group tax return.

The definition of a group generally corresponds with the definition of a group for accounting purposes, i.e. controlling interest.

The management company is responsible for the group's tax payments, and group companies are jointly and severally liable for corporate income tax and certain withholding tax liabilities. For companies with external minority shareholders, the company has a reduced liability and is merely liable if none of the other jointly taxed companies are able to pay the taxes.

Real estate investors should review the composition of the Danish tax group before year-end and ensure that newly acquired, disposed of or reorganized entities and Danish real estate interests are correctly included or excluded.

Sale of shares

Profit from the sale of shares in Danish companies are, as a general rule, not subject to Danish withholding tax. This also applies to shares in companies whose assets consist either exclusively or primarily of real estate.

Stamp duty

A registration fee (stamp duty) of DKK 1,850 plus 0.6% of the purchase price must be paid on the registration of transfer of title to real property located in Denmark. Where the transfer is not made on arm's length terms, the fee is calculated on the higher of the purchase price and the expected market value. Transfers of title as part of mergers, demergers or contributions of assets are only subject to the fixed fee of DKK 1,850.

New mortgage loans registered in the Danish land register are subject to a registration fee of 1.25% of the mortgage debt plus a fixed fee of DKK 1,825. It may be possible to reduce the 1.25% fee by replacing existing mortgages with the new mortgage loan.

When refinancing, structure new mortgages as replacements of existing registered mortgages on the same property to reduce the 1.25% fee and consider the fixed-fee regime for intra-group restructurings.

Repatriation of dividend

Dividends distributed from a Danish company to a foreign group company are generally subject to Danish withholding tax. However, the foreign group company should be exempt from Danish withholding tax on dividends from the Danish company if the foreign group company:

1. Is a tax resident in an EU-member country or a state with which Denmark has a double tax treaty;
2. holds at least 10% of the share capital, and
3. is considered the beneficial owner of the dividends.

Before declaring a dividend, investors should verify the recipient's tax residence, shareholding, beneficial ownership and entitlement to relief.

If the recipient is not the beneficial owner, the recipient cannot rely on the Directive or the treaty. The dividend is then subject to 27% withholding tax. A refund can be claimed down to 22%. Beneficial ownership is assessed on a transaction-by-transaction basis. Formal ownership and substance are not sufficient on their own. The focus is on whether the dividend in reality is passed on to another recipient.

Due to Danish withholding tax rules as amended from 1 January 2025, dividends on tax-exempt portfolio shares (shareholding below 10%) are also exempt from Danish withholding tax. This requires that the recipient is resident within the EU/EEA or in a country with a double tax treaty with Denmark and that beneficial ownership can be documented. If the shareholder is not resident in the EU/EEA or a double tax treaty country, special provisions can apply if the shareholder is situated in a country with which Denmark has a tax information exchange agreement.

Payment of interest

Payments/accrual of interest are subject to Danish withholding tax, but only on controlled debt. Debt is considered "controlled" if the lender owns, directly or indirectly, more than 50% of the share capital of the Danish borrower or controls more than 50% of the voting rights. Transparent entities may also be considered to have controlling influence.

If the affiliated recipient benefits from the EU Interest and Royalty Directive or a double tax treaty and the recipient is considered beneficial owner of the interest, no withholding tax should be levied.

Before making or accruing interest payments to a related foreign lender, real estate investors should determine whether the debt is controlled, confirm the availability of treaty or directive relief and document the recipient's beneficial ownership.

Interest limitation rules

The Danish interest deduction limitation regime consists of three rules: thin capitalisation, the interest ceiling rule and the EBITDA rule.

Real estate investors should review their group financing and expected net financial expenses before year-end to identify any potential restrictions on interest deductions.

Thin capitalisation: Interest and capital losses on controlled debt are non-deductible to the extent the debt would have to be converted into equity to bring the debt/equity ratio down to 4:1. This applies if:

- the company's total debt exceeds four times its equity (at market value) at the end of the income year,
- the controlled debt (including external debt secured by related parties) exceeds DKK 10 million, and
- the company cannot demonstrate that similar financing could have been obtained from independent parties.

Any limitation to interest deduction according to the thin capitalisation rules will be calculated first.

Interest ceiling rule: Net financial expenses are only deductible up to the tax value of the company's qualifying assets multiplied by a standard rate. The standard rate is 4.2% in 2026 and is set annually. Net financial expenses up to DKK 21.3 million are always deductible. For jointly taxed companies, the calculation is made on a group basis.

EBITDA rule: Taxable income before net financing costs, depreciation and amortization may not be reduced by more than 30% when reduced by net financing costs.

There is a special provision for groups of companies, whereby it may be possible to obtain more than 30% deductibility under the EBITDA rule, provided that the net financing costs do not exceed DKK 22,313,400 on a consolidated basis. Disallowed financing costs can be carried forward to subsequent income years and deducted to the extent there is sufficient headroom for deduction under the EBITDA rule in those years.

Danish general anti-abuse rule (GAAR)

Danish tax law contains a general anti-abuse rule (GAAR), which is based on the EU Anti-Tax Avoidance Directive (ATAD).

Under the GAAR, taxpayers cannot benefit from the EU directives or a double tax treaty (i.e. withholding tax may be payable on interest and dividends), if the relevant 'arrangement' has been carried out with the main purpose of obtaining a tax benefit that is not in line with the purpose of Danish tax law.

Hybrid mismatches

Danish tax law contains rules that aim to counteract double deduction and deduction without inclusion that arise as a consequence of a hybrid mismatch of instruments (i.e. debt vs. equity) or entities (i.e. transparent vs opaque). In particular, it should be noted, that if a Danish transparent entity is affected by the rules, leading to it being treated as an opaque entity, distribution of profit will be treated as dividend, which can trigger a risk of withholding tax.

Transfer pricing

Danish transfer pricing rules apply to transactions between related parties (e.g. inter-group transactions), including both domestic and cross-border transactions. The rules apply when a party directly or indirectly controls more than 50% of the share capital or voting rights of an entity. Transactions with PEs are also considered subject to the rules.

For income years starting 1 January 2021 or later, required transfer pricing documentation must be submitted within 60 days after the deadline for filing the corporate tax return.

Certain exemptions and simplified requirements apply from income year 2025. This is particularly relevant for small and medium-sized companies who will be exempt from preparing and submitting transfer pricing documentation under certain circumstances.

If an extension is granted for the corporate tax return, the 60-day deadline for submitting transfer pricing documentation is automatically extended accordingly.

Real estate investors should review related-party transactions, including intra-group financing, and determine whether transfer pricing documentation is required or an exemption applies.

Depreciation

Tax depreciation need not be in conformity with book depreciation.

Land cannot be depreciated for Danish tax purposes.

As a general rule, buildings acquired on or after 1 January 2023 can be depreciated for tax purposes in Denmark at a rate of up to 3% annually using the straight-line method. The same rule applies to technical installations. For buildings and technical installations acquired before 1 January 2023, the maximum depreciation rate is 4% annually.

Before year-end, real estate investors should ensure that only qualifying buildings and technical installations are depreciated for tax purposes and that the applicable rate is used.

Professional advisors' fees and loan costs

Professional advisors' fees (financial, legal and tax advisors) are non-deductible for Danish corporate tax purposes and cannot be added to the acquisition price of the Danish real estate.

Costs incurred in close connection with the establishment of a loan may qualify for a Danish tax deduction as financing costs.

Value-added tax (VAT)

Transfer of immovable property:

Transfers of immovable property, including transfers by way of mergers and demergers, are generally exempt from VAT in Denmark. However, as a general rule, the supply of "new" buildings and building plots is subject to Danish VAT at 25%.

A special VAT exemption applies where immovable property is transferred as part of a transfer of a going concern (e.g. where the property is transferred together with existing lease agreements).

The VAT treatment should be assessed separately for each transfer. In addition, VAT adjustment liabilities may rest on an immovable property, which must be dealt with as part of the transfer, either by paying them to the Danish Tax Agency or by transferring them to the buyer.

Change of use of an immovable property for VAT purposes:

If a property changes from fully or partially VAT-taxable use to fully VAT-exempt use, this may trigger an obligation to self-account for VAT (in Danish "udtagningsmoms") based on the market value.

In addition, a special VAT adjustment scheme applies when the use of a property changes for VAT purposes. As a result, a property company may be required to repay part of the input VAT it has previously recovered, or it may be entitled to recover additional VAT on costs incurred in the past.

A review should be carried out to establish whether the use of any properties has changed, including any changes made during construction.

Partial VAT recovery:

Property companies may carry out both VAT-taxable and VAT-exempt activities and thus, is entitled to recover input VAT on operating costs at a partial recovery rate based on a turnover split. As a main rule, the turnover split for the previous financial year is used as a provisional partial recovery rate.

If the actual turnover split for the financial year differs from the provisional rate, a VAT correction amount must be reported.

A calculation of the actual turnover split for the financial year should be performed at the end of the financial year, and the resulting VAT correction amounts should be filed to the Danish Tax Agency. VAT correction amounts must be reported in the VAT return for the period that includes the sixth month after the financial year-end.

5 Finland

Tax law updates and upcoming changes

The real estate tax reform is still pending and currently the impact or timetable of the reform cannot be estimated reliably. It has been confirmed that the real estate tax reform will not be implemented during the current parliamentary term which ends in April 2027.

The government has proposed to lower the corporate income tax rate from 20% to 18%, first applied to tax year 2027. Also, the tax loss carry-forward period would be extended from the current 10 years to 25 years for losses incurred from the tax year 2026. The intended entry into force is 1 January 2027; however, the proposal is still pending in Parliament.

The Finnish Ministry of Finance is preparing amendments to the current rules regarding the VAT adjustment liability of real estate investments, since the current legislation is not in accordance with EU law after the ECJ case C-787/18. Following the legislative amendments, the adjustment liability cannot be transferred from the seller to the buyer in a real estate transaction. The draft government proposal is currently being revised after it was circulated for public consultation. The Ministry estimates that the final proposal may be presented to the Finnish Parliament in late 2026. The new rules are intended to come into force on 1 January 2028. **Updates in this respect should be monitored.**

Tax rates, transfer tax and tax filing

Current tax rates in Finland are:

- Statutory corporate income tax: 20% (18% proposed from tax year 2027 as described above)
- Transfer tax rates
  - Real estate: 3%
  - Shares in housing and real estate companies: 1.5%
  - Other securities: 1.5%

The transfer tax base also includes shareholder loan receivables acquired in connection with share acquisition. Further, a tax neutral transfer of business may be available, including transfer into an existing company, if the statutory conditions are met. Transfer tax rate, tax base and filing deadlines should be confirmed before a transaction.

Corporate income tax return should be filed within four months after the end of the financial period, i.e. by 30 April 2027 for calendar-year companies.

Transfer tax should be paid within 2 months (for securities) or 6 months (for real estate) from the signing of the agreement.

Year-end tax accounting and reporting

At year-end, real estate investors should generally take the following aspects into account: (i) **levelling taxable profits at portfolio level** and (ii) **the interest deduction limitation rules**.

i) Levelling taxable profits at portfolio level

Tax position of real estate portfolio may be optimised by adjusting the maintenance fees paid to a mutual real estate company ("MREC"), provision of group contributions, adjusting depreciations to be made both in taxation and accounting as well as utilising carry-forward tax losses and non-deducted interest expense carry forwards. **These aspects should be carefully considered at year-end.**

Maintenance fees

Typically, Finnish real estate is owned via MRECs. An MREC collects taxable maintenance fees from the shareholder, corresponding to the tax-deductible maintenance expenses. Additionally, an MREC can collect taxable financial consideration from shareholders, which typically corresponds to annual depreciation of the real property and interest expenses at the MREC level. As a result, the MREC itself does not usually make any profit or loss. The maintenance fees collected by the MREC from the shareholder are generally tax-deductible for the shareholder. The financial consideration is also tax-deductible for the shareholder under certain conditions.

Adjust MREC maintenance fees and financial consideration before year end.

Group contribution

Furthermore, companies within the same group can level their income by giving and receiving group contributions (provided that certain conditions are met). In general, MRECs cannot give or receive group contributions unless they carry on business activities according to the Finnish Business Income Tax Act. The group contribution is considered as a deductible cost for income tax purposes of the distributing company and taxable income for the recipient company.

Ensure group contribution decisions and bookings are made before the end of the financial year, and that the statutory conditions are met.

Depreciations

Depreciations should also be considered at year-end, as it is possible to adjust taxable profit by adjusting the depreciations (within the limits set in tax legislation) either through making lower or higher depreciations in taxation than in accounting, i.e. by creating postponed depreciations or depreciation differences.

Decide the tax depreciation recorded in the accounts before closing the books.

Losses carried forward

Carry-forward tax losses can be utilised against future taxable profits for ten fiscal years following the fiscal year in which the losses have arisen (proposed to be extended to 25 years, as mentioned above). Tax losses may not be carried back. However, tax losses carried forward are forfeited if more than 50% of the shares in a company change ownership directly or indirectly, although there is a possibility of applying for a special permit to retain tax losses if certain conditions are met.

Where qualifying ownership change has taken place, apply for a special permit from the Tax Administration before the losses are to be utilised.

Interest capping rules

ii) Interest deduction limitation rules

The Finnish interest deduction limitation rules should be considered at year-end. The limitations are applied on a company-by-company basis by typically applying one of the below rules:

- If total net financing expenses of a company are no more than EUR 500,000, all financing expenses are deductible.
- If total net financing expenses of a company exceed EUR 500,000, the deductibility of a company's net financing expenses in Finland is limited to 25% of the company's adjusted taxable income (EBITD, i.e. taxable income including group contributions and adding back interest expenses and tax depreciation) and the amount exceeding 25% of EBITD is non-tax deductible.
- However, external net financing expenses are always deductible up to EUR 3 million. External bank loans may be contaminated into related party loans in certain situations such as e.g. when related party to the borrower has provided a security for the repayment of the bank loan in the form of a receivable.

Net interest expenses should be monitored carefully during the year and financing flows optimised where needed.

Tax accounting and reporting processes of real estate portfolios should be carefully managed in order to optimise the tax position at portfolio level and to ensure robust documentation is in place to support the decisions made.

Input VAT deductions on transaction costs

Based on a ruling of the Supreme Administrative Court, input VAT on transaction costs related to sales and purchases of real estate and shares of MRECs can be deducted under certain conditions (as overhead costs) if the real estate has been or will be used for VAT taxable purposes. However, the Finnish tax authorities are currently actively trying to challenge this and limit VAT deduction rights of transaction costs. The developments in this respect should be monitored.

It should be verified whether the requirements for VAT deduction have been met. Non-deducted transaction costs for the year 2023 can still be recovered until the end of 2026.

Change of VAT taxable use of premises

In case the VAT taxable use of premises has changed compared to the original deduction i.e. situation when the real estate investment (new building or fundamental improvement) was taken into use, VAT included in the real estate investment might be subject to adjustment at year end.

It should be verified whether there has been changes to the VAT taxable use of real estate and determine whether the VAT deductions should be adjusted. The effect can be positive or negative, depending on whether the VAT taxable use has increased or decreased. If the VAT taxable use of the premises does not change during the adjustment period, no VAT adjustment right or liability will arise.

VAT deductions of real estate investors

The Finnish Tax Authorities have lately audited several real estate investors (e.g. funds and joint ventures) and denied deduction rights of input VAT relating to costs, which the Tax Authorities treat as costs related to activities of an investor (e.g. costs related to sale of real estate even when the real estates have been in VAT taxable use).

6 France

2027 Finance bill – Current status

The Finance bill for 2027 has been submitted to the National Assembly. It may be amended throughout the parliamentary process until its final adoption. At this stage, the bill does not contain any significant provision concerning the professional real estate sector.

The bill includes a new option allowing landlords to charge VAT on rents received for undeveloped land (“terrains non bâtis”), which are otherwise exempt. This option will enable landlords to recover VAT on costs linked to such land.

Corporate income tax – Effective rate and surtaxes

The standard corporate income tax (CIT) rate remains 25%. A social contribution of 3.3% applies on top of CIT (after a €763,000 allowance), bringing the effective rate to about 25.83%.

Blacklisted jurisdictions – 2026 update

The French list of non-cooperative states and territories (NCST) has been updated in 2026. It now also includes the states on the EU list, which is due to be updated in October 2026. The French list currently covers: Anguilla, Antigua and Barbuda, Guam, the US Virgin Islands, the Turks and Caicos Islands, Palau, Panama, Russia, American Samoa, Vanuatu and Vietnam. Payments to, or investors located in, a listed jurisdiction can trigger significantly heavier French tax treatment (for example higher withholding taxes and loss of favourable regimes).

Check the jurisdiction of every entity in the holding and financing chain against the updated list before each acquisition, distribution or refinancing.

Shareholder loans – Interest paid to minority investors

Interest paid to shareholders is in principle deductible only up to a statutory rate published each quarter. The quarterly rates were 4.30% for Q4 2025, 4.31% for Q1 2026, 4.35% for Q2 2026 and 4.63% for Q3 2026. For a twelve-month financial year, the resulting cap runs from 4.55% for a 31 December 2025 year-end to 4.33% for a year-end between 30 June and 29 September 2026.

Companies are now allowed to deduct interest paid to non-controlling shareholders at a higher market rate, if they can show it is what an independent bank would have charged. This applies to financial years closed from 31 December 2025.

Keep evidence of the market rate (bank offers, transfer pricing study). The interest then remains subject to the general cap on net financial expenses.

SIIC – Selling the last asset

The French tax authorities published a ruling clarifying the tax consequences, under the SIIC exemption regime, of the sale of the "last real estate asset" by a SIIC, its subsidiaries or subsidiaries of SPPICAV. The ruling states that selling the last asset does not in itself cause the loss of the SIIC exemption regime, unless the SIIC has carried on a property dealer ("marchand de biens") activity.

This tax ruling puts an end to the numerous tax reassessments that the French tax authorities made on this topic.

Coworking – Taxed as offices in Île-de-France

Premises let to a coworking operator are taxed as offices, not as commercial premises, for the annual Île-de-France office tax, even though the operator offers services and carries on a commercial activity. Following the French Supreme Administrative Court decision, the Paris administrative court confirmed that offering many extra services alongside coworking spaces (office and admin services, relaxation areas, a gym, catering, networking events) does not turn offices into commercial premises. The premises are still actually used as offices by clients, and free access for members, visits by potential clients or classification as a building open to the public do not change this. Based on the foregoing, coworking spaces are classified as offices for the purpose of the Île-de-France office tax and not as commercial premises bearing in mind that the tariff applicable to offices is higher than the one applicable to commercial premises. Only the square meters of limited areas (such as relaxation spaces, kitchenettes or technical rooms) can be deducted from the taxable surface.

Take this cost into account in the establishment of business plans and check whether leases allow it to be passed on to the operator.

Interest cap (ATAD) – Possible refund claims

Net financial expenses of companies that are not thinly capitalized are tax deductible up to the higher of €3 million or 30% of their tax EBITDA. Group members can deduct an extra 75% of the excess if their equity-to-assets ratio is at least equal to that of their consolidated group (safe harbour).

The EU Directive allows a full deduction of the excess, not 75%. Following a ruling of the EU Court of Justice of 26 February 2026 narrowing the Member States' room to adopt stricter rules, it can be argued that the French 75% limit breaches EU law, and taxpayers could file claims to deduct 100% of the excess. This is a litigation position, not settled law.

Highly leveraged real estate groups should identify past add-backs of interest and check whether the safeguard clause was applied, in order to assess possible refund claims before deadlines expire.

3% annual tax – End of the commitment option

Before, entities owning, directly or indirectly, French real estate that could be not benefit from an automatic exemption of the 3% annual tax could still be exempt from the payment of that tax provided that (a) either they file each year a 2746 form (disclosing certain information and in particular the fair market value of the property, the name and address of their shareholders, etc); (b) or that they commit themselves to disclose the same information at the first request of the French tax authorities. Option (b) is now no longer available.

Structures that relied on the commitment must now secure exemption through the filing of the annual 3% tax return (form 2746) instead.

Sale of land rich shares – New deed requirement

Until now, disposal of shares in companies qualifying as French land rich for the purposes of French transfer duties (meaning whose assets are mainly represented by French real estate) could be documented by a vanilla share purchase agreement (SPA). A recent anti-fraud law now requires that the SPA is counter-signed by a French notary, a French attorney at law, or a French chartered accountant. Disposal of shares/units in UCITs and certain AIFs are excluded from this new measure. The registration of the SPA with the French tax authorities can only be made if the above new requirement is fulfilled. In addition, from a legal standpoint, the SPA which will not comply with this new requirement will be void.

Involve the notary, lawyer or chartered accountant early in the deal process, and prepare a valuation-based analysis of the land-rich test.

Asset impairments – Tax treatment and reversals

The decrease of value of certain French real estate assets may have conducted some French entities to book impairment in their account. This raises various questions and problems from a tax standpoint for past fiscal years and, especially, with respect to fiscal years to come during which such impairment may be reversed.

The first issue relates to the tax deductibility of such impairment when booked. French tax regulations provide for limitation of tax deductibility of impairment on real estate assets and shares of property companies. In addition, the French tax authorities dispute the tax deductibility of such impairments on the basis of a subtle distinction between the market value (“valeur vénale”) and the value in use (“valeur d’usage”), which has proven very difficult to apply with respect to real estate assets.

The second issue relates to the taxation of reversal of impairment that have been tax deducted. In such case, it should be reminded that tax losses carried forward are available to offset only for the first €1 million of taxable profits and 50% of taxable profits in excess of this. Such limitation of offset of tax losses carried forward may lead to the taxation of reversal of impairment and should be properly anticipated.

Document market value at each financial year closing (independent valuations) and model the tax effect of possible reversals together with available tax losses.

7 Germany

Tax rates

The statutory corporate income tax rate is 15.825% (including 5.5% solidarity surcharge). The current rate of 15% will be reduced in five steps by 1% annually from 2028 to 10% in 2032. The trade tax rate depends on the local municipality in which the business operations are carried out and varies in most municipalities between 14.0% and 18.0%. The overall tax rate for a German corporation thus ranges currently between 29.825% and 33.825%.

Dividend and capital gains tax exemption

Dividend distributions between corporations are generally 95% tax exempt. However, the 95% tax exemption is only granted where the recipient of dividends inter alia holds at least 10% of the nominal capital of the distributing corporation at the beginning of the calendar year.

Capital gains received by corporations upon selling the shares in other corporations are 95% tax exempt. This generally also includes capital gains derived by selling shares in foreign corporations whose assets – directly or indirectly – consist of more than 50% of German real estate. If the shareholder is a foreign resident corporation, the capital gains are 100% tax exempt according to case law of the German Federal Fiscal Court. Currently, there is no minimum holding requirement.

Consider restructuring shareholding before distributing dividends (and selling shares). Foreign corporate shareholders may claim a tax refund if they were taxed upon selling shares in other corporations.

Share capital repayments

Share capital repayments received by a German shareholder from a foreign corporation are generally treated as a taxable dividend in Germany. However, share capital repayments may be qualified as repayment of shareholder equity instead of taxable dividends upon application. Such application has to be filed by the end of the twelfth month following the end of the fiscal year in which the share capital repayment has been made.

Apply for equity qualification of share capital repayments made in 2025 before 31 December 2026 (if the fiscal year equals the calendar year).

Rollover relief

Gains of a German permanent establishment (PE) from the sale of land and buildings need not be taken to income immediately but may be deducted from the cost of replacement premises. For gains that do not belong to a German PE, no rollover relief is available. However, the taxation of capital gains reinvested in another EU member country may be deferred and spread over five years. The EC has filed a lawsuit with the ECJ, alleging that the German PE requirement is incompatible with the free movement of capital. The application for tax deferral has to be made in the fiscal year in which the land or building has been sold.

Apply for tax deferral on capital gains for EU land and buildings sold in the fiscal year 2026 in the tax return for the fiscal year 2026.

Interest capping rules

Where an entity is not able to limit its net interest expense below the EUR 3m threshold, other escape clauses (non-group escape clause or group escape clause) might be applicable. According to the group escape clause, interest expenses paid in 2027 may be fully deductible only where the equity ratio of the German business equals or is higher than that of the group (2% tolerance) as of 31 December 2026.

Ensure the taxpaying entity's equity equals the group's; if more than 2% below the quota of the group, inject additional equity to ensure 2027 interest deductibility.

Net operating losses (NOL) planning

According to tax accounting rules, an impairment to a lower fair market value may be waived.

In a loss situation, impairment may be waived to mitigate an increase in net operating losses.

NOL planning for partnerships

Net operating losses of a partnership are allocated to a limited partner only up to the amount of its equity contribution.

Inject equity before the fiscal year-end in order to benefit from losses exceeding the current equity contribution.

Losses carried forward

Any direct or indirect transfer of more than 50% of shares/interests (or similar measures, e.g., in the course of restructurings) may lead to a total forfeiture of losses and interest carried forward at the German entity's level. Exemptions may apply for tax-privileged restructurings and where the entity continues to perform the same business as prior to the share transfer.

Currently a case is pending at the German Supreme Court to determine whether the loss forfeiture rules are unconstitutional. The upcoming decision by the Supreme Court may have retroactive effect.

It is strongly recommended to explore structuring alternatives where you intend to reorganise your investment structure. All tax assessments for years in which a harmful share transfer has occurred should be kept open.

Trade tax status

Investments relying on the absence of trade tax due to the non-existence of a German PE, or on a preferential trade tax regime under the extended trade tax deduction, must fulfil strict requirements. The requirements of the extended trade tax deduction must be met for a complete fiscal year.

Verity whether the requirements are met from 1 January 2027 onwards (if the fiscal year equals the calendar year) in order to mitigate trade tax on income derived in 2027.

Tax prepayments

In the case of declining profits, an application can be made to reduce current income tax and trade tax prepayments.

Check cash flow models and profit forecasts in order to improve liquidity by applying for tax prepayment reductions and/or refunds.

Substance requirements

General substance requirements need to be met by foreign corporations receiving German income in order to be recognised by the German fiscal authorities. This, inter alia, may ensure the deductibility of interest expenses borne in connection with German investments. Where (constructive) dividends are distributed by a German corporation to a foreign shareholder, the foreign shareholder must fulfil strict substance requirements in order to benefit from a dividend withholding tax exemption/reduction.

Ensure that the tightened German substance requirements are met.

Transfer pricing

Generally, all related-party cross-border payments have to comply with the arm's length principle. Failure to present appropriate documentation to the tax administration might result in the non-acceptance of group charges and penalties for tax purposes.

The arm's length principle should be duly followed and documented.

Tax group

The acceptance of a tax group is subject to strict compliance with certain legal requirements. The profit transfer agreement needs to be registered with the commercial register by 31 December 2026 in order to become effective for the fiscal year 2026 (if the fiscal year equals the calendar year). If companies do not comply with the requirements during the minimum term of five years, the tax group will not be accepted from the beginning.

Special precautions need to be taken regarding tax groups for VAT and RETT purposes as there are different legal requirements.

If a tax group is to be established in the future, the profit transfer agreement needs to be drafted properly and registered in time.

Land tax refund

For vacant buildings and buildings rented at below-market rates, a land tax refund up to 50% may be granted upon application of the landlord.

Apply for land tax 2026 refund before 1 April 2027.

Land tax compliance

Following the full implementation of the land tax reform on 1 January 2025, taxpayers must self-declare any changes in the actual circumstances of their real property (such as construction measures, demolition, or changes in use) that affect the property's valuation, property type, or property category.

Report property changes occurring in 2026 by 31 March 2027.

Real estate transfer tax (RETT)

Federal states have the right to set the real estate transfer tax (RETT) rate themselves instead of applying the uniform federal RETT rate of 3.5%. Only Bavaria still applies the 3.5% rate. The other federal states have increased their RETT rates up to 6.5%.

Monitor and consider potential changes to RETT rates in federal states.

Currently a case is pending at the German Federal Fiscal Court and the ECJ to determine whether EU law excludes the imposition of a RETT in the event of restructuring.

All RETT assessments in the event of a restructuring should be kept open.

RETT exemptions for transfers between partnerships will continue to apply, as the previously planned sunset clause was permanently repealed by the legislature.

No need to execute transfers of real properties before 1 January 2027.

Value added tax (VAT)

From 1 January 2027, the general transition period allowing all companies to issue paper or simple electronic B2B invoices ends, making structured e-invoices mandatory for companies with a 2026 turnover exceeding EUR 800,000.

Comply with the legal requirements from 2027 onwards.

DAC 6

Germany implemented reporting requirements for cross-border tax arrangements in July 2020.

Report cross-border tax arrangements within 30 days in order to avoid fines of up to EUR 25,000.

Planned tax changes

German tax law is subject to continuous change. Currently, there are a number of tax amendment acts in the legislative process which impact taxation of real estate investments (inter alia, broader tax-neutral book-value transfers between sister partnerships and reform of the German VAT group regime).

8 Greece

Reduction of the CIT rate and advance income tax payment

From the tax year 2021 onwards, the corporate income tax rate is reduced from 24% to 22%. Regarding the advance income tax payment the advance tax payment rate has been reduced from 100% to 80% for legal entities. The relevant percentage may be reduced by 50% for newly established legal entities during the first 3 financial years following the commencement of their business activities.

According to economic policy measures announced by the Prime Minister of Greece at the Thessaloniki International Fair (TIF) in September 2026, the advance corporate income tax payment rate is expected to be reduced by 5 percentage points (5%) annually from tax year 2028 onwards, until it reaches 50%, compared to the current rate of 80%. However, the implementation of this measure remains subject to the enactment of the relevant legislative provisions and should therefore continue to be monitored.

Special real estate tax (SRET) – Key framework

Designed to deter Greek taxpayers from avoiding disclosure of their real estate property through the use of offshore vehicles, SRET applies to all companies owning real estate in Greece, unless they fall into one of the exemptions. If no exemption can be achieved, the company must pay an annual 15% tax on the objective value of the property.

Key exemptions inter alia include:

- Legal entities irrespective of the country of their establishment, exercising commercial, manufacturing or industrial, activity in Greece, provided that the gross revenue from this activity is higher than the real estate gross revenue.
- Legal entities irrespective of the country of their establishment, constructing premises to use exclusively for the exercise of their commercial, manufacturing or industrial activity (self-use) and for a period of seven years starting from the issuance of the initial building permit.
- Legal entities that have their registered seat in Greece or in an EU member country, provided that they disclose their ultimate shareholders all the way up to an individual, who have a tax registration number in Greece. In case other legal entities are participating in the shareholder chain, the exemption is granted to the extent that the shares of the ultimate shareholder entity are traded on regulated exchanged markets.
- Legal entities that have their registered seat in Greece or in an EU member country or in a third country (not considered as a non-cooperative country), provided that they disclose their ultimate individual shareholders, who have a tax registration number in Greece. In case other legal entities are participating in the shareholder chain, the exemption is granted to the extent that the shares of the ultimate shareholder entity are traded on regulated exchanged markets, which should be supervised by an authority accredited by the International Organisation of Securities Commissions (IOSCO).

It should be noted that the aforementioned disclosure of individual shareholders is not a prerequisite if the total of the shares is owned by a listed company or the whole or a part of the registered shares belong to:

- Credit institutions including savings banks or deposit and loan funds;
- social security funds;
- insurance companies;
- mutual funds specified in art 18 par.3 of the new L. 5219/2025.

The Greek tax authorities tend to strictly apply documentation requirements in support of the abovementioned exemptions. Decision A.1014/2026 provides for a detailed list of documentation required for every specific SRET exemption category and determines the exact process to be followed for invoking an exemption. Furthermore, Decision A.1101/2026 prescribes the form, content and filing procedure of the Special Tax on Real Estate return for the tax year 2026 and subsequent years.

Moreover, to be noted that the SRET is assessed annually on 1 January of the tax year and the SRET return (even if zero in case of an exemption) is by 20 May (unless an explicit exemption is announced). To be noted that all the exemption supporting documentation shall be issued, collected and in place by the time of the submission of the SRET return.

VAT – Suspension of VAT on real estate sales until 31 December 2026

A 24% VAT applies on the sale of new buildings in Greece by persons subject to VAT. In particular, the supply of real estate subject to VAT is the transfer for consideration of ownership or rights in rem of buildings or part of buildings and the land on which they stand, before their first occupation. To be noted that the term occupation refers to the use of the real estate in any possible way (e.g. self-use, leasing of the property etc.) The above transaction is taxable only when the following conditions are fulfilled:

1. The person who transfers is a taxable person, or anyone who carries out, on an occasional basis, the transaction on condition that he opts for the standard VAT regime and
2. the construction permit is issued after 1 January 2006.

A suspension of VAT on real estate sales for until 31 December 2026 has been introduced, levying of real estate transfer tax on all unsold immovable property with a construction permit issued from 1 January 2006 onwards, upon relevant application by taxable persons. For permits issued from 1 July 2020 onwards, the application shall be submitted within a six-month deadline from the issuance of the permit.

Governmental announcements made in September 2026 referred to a contemplated extension of the suspension of VAT on real estate sales until 31 December 2030. A subsequently submitted draft law, however, provided for an extension until 31 December 2027. As the announcements do not in themselves constitute enacted legislation, the duration of the suspension should be assessed by reference to the relevant provisions that will be ultimately enacted and any subsequent legislative amendments.

Pursuant to the amendments introduced by L. 5073/2023 short-term lease income when the lessor is a legal entity or an individual who owns at least three (3) properties is considered as business income and is further subject to VAT at a reduced rate of 13%.

Exemption from donation tax for the purchase of a main residence

Pursuant to the provisions of the Greek Property Tax Code, the acquisition of a residence or a plot of land by reason of death by the deceased's spouse, civil partner or child may qualify for first-home inheritance tax relief, provided that neither the beneficiary nor his/her family owns any other immovable property capable of meeting their housing needs.

Furthermore, parental gifts and donations made to beneficiaries falling within the first category of kinship (including, indicatively, a spouse and children), as well as monetary parental gifts and donations effected through financial institutions, are subject to a tax-exempt threshold of EUR 800,000 per donor and per beneficiary. Any amount exceeding such threshold is subject to tax at a rate of 10%.

Real estate investment companies (REIC)

The regime for Real Estate Investment Companies (REICs) was initially governed by Law 2778/1999, which has now been replaced by Law 5193/2025, introducing a more flexible and modern framework aligned with European developments. According to the new law, a REIC is set up as a SA, exclusively engaging in the management of portfolios comprising securities and real estate, with a minimum share capital of 40 million EUR. Existing REICs must align with the new minimum capital requirements within one year from the effective date of the new regime.

From a tax point of view, the applicable framework provides for various tax exemptions, which are the key advantage of the Greek REIC regime. Key exemptions are:

- The transfer of real estate assets to the REIC is exempt from all forms of taxation, fees, contributions, duties, or charges (such as real estate transfer tax, digital transaction tax, etc.);
- Exemption from income tax (instead they are taxed in the average fair market value of the European Central Bank's main refinancing operations (MRO) interest rate, increased by one percentage point)
- The transfer of non-listed shares to a REIC is exempt from capital gains tax

Dividends distributed by the REICs are exempt from income tax and from dividend's withholding tax. REICs are subject to several regulatory restrictions, as well as an obligation to list their shares within a 2-year period from their establishment, which can be further extended for another 36 months in total.

Special non-dom regime for high net worth individuals/investors

Foreign individuals transferring their tax residence in Greece may be subject to an alternative taxation for their income derived abroad.

The following conditions shall be met cumulatively:

- The taxpayer must not have been tax resident in Greece the previous seven years out of eight year before the transfer of the tax residence in Greece.
- The taxpayer provides evidence that themselves or relatives are in possession of the majority of shares or participation in immovable property, business, tangible assets or shares of legal person/entities tax resident in Greece.

The amount of this investment shall at least be equal to EUR 500,000 and the investment shall be completed within three years from the application submission date.

Under this regime, individuals will pay a lump-sum tax of EUR 100,000 per tax year, irrespective of the amount of income earned abroad, for a maximum of 15 fiscal years. It is also possible to extend the regime to any of their relatives by paying an additional tax equal to EUR 20,000 per person per tax year.

Any tax paid abroad on income covered by the alternative taxation regime will not be offset against the tax liability of the above persons in Greece. In case the individuals, who have opted for the non-domiciled regime, earn in parallel income subject to income tax in Greece (e.g. income arising from the leasing of a real estate property located in Greece), this will be taxed in accordance with the general income tax law provisions and will not be covered by the non-domiciled regime.

Taxpayers opting for the regime are not obliged to declare any income earned abroad. They will be able to justify the imputed income calculated based on deemed expenses and assets acquisition by importing funds from abroad.

For completeness purposes, to be noted that Greece has also introduced legislation to facilitate the establishment of family offices, providing a centralized structure to manage family wealth and assets. Family offices benefit from favorable tax treatment, since the gross revenue is determined by adding a profit margin at seven percent (7%) to the total of all types of expenses and depreciation, excluding income tax (cost-plus method.

Special non-domiciled regime for pensioners

In parallel, a special non-domiciled regime intended specifically for foreign pensioners is provided in domestic legislation, enabling individuals entitled to a pension arising abroad to be subject to a favorable taxation of their income.

Foreign pensioners wishing to enter the special regime should cumulatively meet the following eligibility conditions:

- be earning non-Greek source pension amounts; the scope of qualifying pensions should be further defined.
- have held their tax residence outside Greece for 5 out of the last 6 years; and
- be former residents of a state with which an agreement on administrative cooperation in the field of taxation is in force with Greece.

The qualifying individuals should be in a position to evidence that Greece is the center of their vital interests.

The key tax benefit provided in the context of this special regime is that qualifying individuals will pay flat tax on an annual basis at the rate of 7% on their foreign sourced income, with exhaustion of the tax liability for this income. Any tax paid abroad will be deducted from the tax due in Greece, up to the amount of the latter.

Qualifying individuals shall not be exempted from inheritance tax or property donations tax on wealth located abroad. In addition, any Greek-sourced income of qualifying individuals/pensioners (e.g. income from leasing of real estate property located in Greece) will be subject to tax, in accordance with the general income tax provisions. Pensioners subject to this regime are required to declare their income earned both in Greece and abroad. This regime has applied to tax years beginning on or after 1 January 2020. The maximum duration of applicability of the regime is set at 15 tax years, starting from the next tax year from the date of submission of the application, while the possibility of revocation is provided within the fifteen-year period.

Special regime for angel investors

A special regime for angel investors has been set in effect as from 29 July 2020 and has been recently amended with L. 5162/2024. According to this regime, angel investors i.e. individuals who contribute capital to a duly registered start-up company, shall deduct from their taxable income, an amount equal to 50% of the amount of their contribution, in the tax year in which it took place. This incentive applies to capital contributions via a bank deposit of up to 900.000 per tax year, which are invested in up to three start-ups with a maximum investment of EUR 300,000 per start-up.

Fines and penalties may be imposed in case, following a tax audit, if it arises that the capital contribution has been made with a view to obtain a tax advantage, which would effectively frustrate the purpose of the regime, which is, in essence, the increase investment activity through the support of start-ups during the early stages of their operations. In case of a tax audit during which there is evidence that the capital contribution to the start-up company has been made for the purpose of the tax advantage, the amount of the fine imposed to the angel investor may reach the amount of the pursued tax benefit.

9 Ireland

Taxation of rental income

Rental income profits are subject to corporation tax at the rate of 25% where the real estate asset is held through an Irish company or a non-resident company.

Interest deductions

A deduction for interest is only allowed in computing the rental profits for the year where the money borrowed has been used on the purchase, improvement or repair of the property which generates the rental income.

Landlords must ensure that residential properties are registered with the Private Residential Tenancies Board in order to obtain an interest deduction.

Capital allowances

Tax depreciation is available on plant and equipment at an annual rate of 12.5% of the cost over eight years. Where items of plant and equipment are deemed to be energy-efficient, the entire allowance can be claimed in the year in which the expenditure is incurred. Excess allowances over rental income profits can be carried forward as a loss to offset against future rental income.

Qualifying industrial buildings such as factories, hotels, nursing homes etc. may be able to avail of capital allowances at an annual rate of 4% of the cost over 25 years.

Withholding tax on rent

Rental payments made by a lessee to a non-resident landlord are subject to a withholding tax of 20% which the lessee must pay to the Irish Revenue Commissioners.

Non-resident landlords should appoint an Irish collection agent to collect the rents from the lessee in order to avoid Irish withholding tax.

Interest withholding tax

Interest payments made by an Irish resident company to a non-resident are generally subject to Irish withholding tax of 20%. The Irish resident company is obliged to withhold the tax from the interest payment and pay it directly to the Irish Revenue Commissioners. Several generous domestic exemptions are available under Irish tax legislation.

Investors making interest payments to non-resident lenders should ensure appropriate exemptions are available before paying interest gross to lenders.

Dividend withholding tax

Distributions made by an Irish resident company are generally subject to withholding tax at a rate of 25%. Several exemptions are available under the Irish tax legislation subject to having the appropriate declarations in place.

The participation exemption also applies to foreign dividends and distributions from companies in the EEA or treaty countries. To qualify, the Irish parent must hold at least 5% of the subsidiary's share capital, profits, and assets for 12 months, and the subsidiary must be subject to a comparable tax. The exemption covers distributions from profits or, in some cases, assets – if the parent qualifies for the substantial shareholding exemption. It excludes tax-deductible distributions, winding-up payments, interest-like income, offshore funds, and Section 110 companies. Elections are made per accounting period in the tax return. For relevant distributions from 1 January 2026 onwards, the company must have been not generally exempt from foreign tax for the past three years (reduced from five). Such distributions, if made by a non-EEA or treaty resident company, are also in scope of the exemption if foreign withholding tax is paid on the distribution.

Disposals by non-residents

A non-resident will be subject to capital gains tax in Ireland on the disposal of Irish specified assets. Land (including tenements, hereditaments, houses and buildings, land covered by water and any estate, right or interest in or over land) situated in the State is considered to be an Irish specified asset. Additionally, shares in a company which derives the greater part of its value from land are also considered to be Irish specified assets. A disposal of such shares by a non-resident would also be within the scope of Irish capital gains tax.

A vendor who is disposing of an Irish specified asset where the consideration exceeds EUR 500,000 (or EUR 1 million where the asset is residential property) should obtain a Form CG50A from the Irish Revenue Commissioners to avoid a potential 15% withholding tax.

Capital Gains Tax

The standard rate of Irish capital gains tax has been reduced from 33% to 31% for disposals made on or after 7 October 2026. The reduced rate generally applies to chargeable gains arising on disposals of assets, including Irish real estate and shares deriving their value from Irish land. However, gains arising on the disposal of development land continue to be subject to capital gains tax at 33%.

Investors should consider the applicable disposal date and the nature of the asset when determining whether the reduced 31% rate is available.

Tax filing obligations

Both Irish tax resident companies and non-resident landlords are obliged to pay their corporate income tax liability and file their corporation tax return within nine months of the end of its accounting period.

Stamp duty

Stamp duty applies to the acquisition of real estate assets and is payable by the purchaser. The rate of duty is 7.5% on the acquisition of commercial property and generally 1% on residential property transactions up to a value of EUR 1 million, 2% on the next €500k, and 6% thereafter, with the exception of purchases of 3 or more apartments in an apartment block, where the rates are 1% on the first EUR 1 million and 2% thereafter. These rates do not apply to acquisitions of relevant residential units, which are liable to a 15% rate

A residential unit is a "relevant residential unit" where it is part of a bulk purchase of 10 or more residential units, or where the buyer has bought at least 9 other residential units in the 12 months preceding the current purchase. Residential units in apartment blocks are not liable to the 15% rate. Acquisitions of shares deriving value from relevant residential units are also liable to 15% stamp duty on the value of the shares derived therefrom.

Anti avoidance provisions apply a 7.5% stamp duty to interests in certain entities that derive their value or the greater part of their value, directly or indirectly from Irish non-residential land and buildings. The 7.5% stamp duty charge will only apply where:

1. The transfer results in a change in the person or persons having direct or indirect control over the underlying non-residential land and buildings, and
2. It would be reasonable to consider that the real estate assets concerned were acquired, or are being developed, with the sole or main objective of realising a profit from their sale, or are held as trading stock.

The rules apply not only to conveyances or transfers of shares/units/partnerships interests, but also to contracts for the sale of any such shares/units/interests which might otherwise not be stampable.

Losses carried forward

Losses on the disposal of real estate property can be carried forward and set off against future capital gains. A restriction applies to gains made on development land. Only losses incurred on disposals of development land can be offset against gains made on the disposal of development land.

Value Added Tax ("VAT")

Where VAT has been charged on the acquisition of property, it may be necessary to charge VAT on the rental payments due from the tenant in order to avoid a clawback of any VAT reclaimed on the purchase or development of the property.

VAT is only chargeable on commercial lettings where the landlord has exercised the "option to tax". It is not possible to charge VAT on residential lettings (including student accommodation), which means VAT can be a real cost for purchasers of residential assets in Ireland. However, the recent reduction in the VAT rate from 13.5% to 9% for the supply and construction of qualifying apartments and apartment blocks is a positive policy measure which should reduce the irrecoverable VAT cost associated with investment in new residential apartment developments

A landlord who leases out a mixture of commercial and residential properties can only reclaim VAT on expenses incurred in relation to the taxable activities (i.e. commercial lettings where the "option to tax" has been exercised). For dual use expenses (i.e., expenses relating to a mixture of taxable commercial and VAT-exempt residential properties), an annual VAT recovery rate must be calculated to determine the proportion of the VAT which can be reclaimed on such expenditure.

The VAT recovery rate applicable to dual use expenses must be calculated each year and must be a true representation of the mixture of the commercial and residential properties to which the expenditure applies.

Local property tax

Local property tax is only chargeable on residential properties and is generally payable by the owner of the premises. The local property tax is calculated based on the market value of the property as at 1 November 2025.

Transfer pricing

Irish transfer pricing legislation endorses the OECD Transfer Pricing Guidelines and adopts the 'arm's length' principle. The rules apply to domestic and international arrangements entered into between associated persons, involving the supply or acquisition of goods, services, money, or intangible assets, and relating to trading activities within the charge to Irish corporation tax.

Under Irish rules, the Irish tax authorities have the power to recompute the taxable profit or loss of a taxpayer where income has been understated or where expenditure has been overstated as a result of non-'arm's length' transfer pricing practices. There is, however, an exemption available for small and medium-sized enterprises.

Interest limitation rules

Ireland's interest limitation rules impose a cap on interest deductions to no more than 30% of EBITDA where a company has over EUR 3 million of an interest expense. However, an exemption from interest limitation rules is available in respect of certain long term public infrastructure projects.

Anti-hybrid legislation

The Irish anti-hybrid rules implement the requirements of EU ATAD II. These rules broadly deny deductions or impose tax on transactions between associated entities where there is an element of hybridity in the transaction or due to the form of the payor/payee.

Reverse hybrid mismatch rules may also apply. Where a reverse hybrid mismatch arises, the rules provide for a neutralising mechanism whereby the income of the reverse hybrid entity will be subject to Irish corporation tax, "as if the business carried on in the State by the entity was carried on by a company resident in the State".

Pillar two

As part of the OECD's global tax reform, countries have agreed to implement a minimum effective tax rate of 15% for large multinational groups. These rules are effective in Ireland from 31 December 2023 onwards. The rules apply to multinational enterprise (MNE) groups with annual consolidated revenue of at least EUR 750 million in two of the last four financial years (2021–2024). This includes entities consolidated in the financial statements of the Ultimate Parent Entity (UPE), either due to ownership/control or unless excluded only for size, materiality, or sale-related reasons. Importantly, the Irish legislation also covers standalone entities (not part of a consolidated group) if they exceed the EUR 750 million revenue threshold.

Residential Zoned Land Tax (RZLT)

RZLT applies at a rate of 3% of the market value of land that is serviced, zoned for residential or mixed-use development, and not otherwise excluded. Land meeting these criteria is identified as a "relevant site" and included on maps published by local authorities. The person who owns the land on 1 February is generally responsible for paying the year's tax liability by the deadline of 23 May, although deferrals may be available in certain cases.

Local authorities publish updated RZLT maps annually by 31 January, with draft maps released the previous year by 1 February. Landowners who believe their land should not be included have the opportunity to make submissions and appeals during the draft mapping process.

Relevant Contracts Tax (RCT)

RCT is a withholding tax that applies when a Principal Contractor (as defined in tax legislation) pays a subcontractor for certain construction-related work in Ireland, regardless of where the principal contractor or subcontractor is based. Principal contractors include developers, builders, utilities, public bodies, and those involved in sectors like energy, transport, and telecommunications. Principal Contractor is broadly defined in legislation and brings many different entities into scope. This can include property investors and participants in various other industries such as real estate investors.

RCT applies when a Principal Contractor engages a subcontractor under a Relevant Contract, to undertake, provide labour for the carrying out of, or be responsible for the carrying out of relevant operations including the construction, alteration, repair or extension of a building or structure. The list of services in scope of RCT is extensive, so all persons making any payments to contractors in Ireland related to any operational work on real estate, from day to day repairs to development must consider whether it has an obligation to operate RCT is a real time tax requiring compliance to be completed strictly in advance of payment. There are three RCT rates: 35% for unregistered or non-compliant subcontractors, 20% for compliant registered subcontractors, and 0% for those meeting specific Revenue conditions. The tax carries significant penalties for non-compliance, up to 35% of gross payments. As such advice must be taken prior to any payments being made, ideally at procurement stage.

Vacant Homes Tax ("VHT")

VHT applies to residential properties that are occupied for less than 30 days during a 12-month period starting each 1 November, beginning in 2022. For chargeable periods starting from 1 November 2026 – 31 October 2027, the rate is seven times the base LPT rate.

Property owners must file their VHT returns electronically by 7 November following the end of each chargeable period. The tax is not deductible for income tax purposes. Exemptions are available for properties that are actively listed for sale or rent, undergoing significant renovations, or vacant due to the recent death of an occupant. VHT operates on a self-assessment basis, meaning property owners are responsible for determining whether they are liable and for meeting their filing and payment obligations.

Irish Real Estate Funds (IREFs)

Irish Real Estate Funds (IREFs) are funds which derive over 25% of their value from Irish land or buildings, assessed at the sub-fund level. IREFs must apply a 20% withholding tax on income distributions and redemption gains paid to non-exempt investors. Exemptions apply to certain investors, including Irish pension schemes, life assurance companies, regulated funds, and their EEA equivalents.

Additionally, financing costs linked to "excess debt" – borrowings over 50% of asset cost – are treated as deemed income and taxed at 20%. IREFs must also maintain a minimum financing cost ratio of 1.25; falling below this triggers a deemed income charge. Expenses not wholly for IREF business purposes are similarly taxed as deemed income.

10 Israel

Mandatory dividend distribution

The Israeli Income Tax Law was amended in a way that starting from tax year 2025, certain private Israeli corporations, including Real Estate rich corporations holding income generating assets are liable to dividend distribution of 6% of the retained earnings or alternatively, a 2% additional tax has to be paid for the retained earnings.

Until 31 December 2026 a distribution has to be completed, following examination and computation. Otherwise, the 2% additional tax will apply.

Pillar 2

Starting from 2026 tax year, Israel will first implement the Pillar two rule. The implementation will be by way of Domestic Minimum Top-Up tax only.

In cases of reduced Israeli corporate tax which may apply in few cases of Real-Estate activities in Israel, an examination of applicability has to be preformed.

11 Italy

Interest capping rule

For corporate income tax (IRES) purpose, interest expenses (even those capitalized on assets) are deductible within the limit of interest revenues and, subsequently, within the limit of 30% of the fiscal EBITDA. The fiscal EBITDA derives from the accounting EBITDA (as per P/L), adjusted according to the same provisions used to compute the IRES taxable base.

Interest expenses that exceed such limits can be carried forward to be deducted in the following fiscal years, without time limitations, but only up to the amount of the interest revenues and 30% fiscal EBITDA of any following year (the latter, net of the interest expenses excess of the same year). Any “unused” 30% fiscal EBITDA can be carried forward and used to increase the 30% fiscal EBITDA of the following 5 years. In case, in a year, interest revenues exceed interest expenses, such excess may be carried forward without any time limitation.

As a temporary provision, interest expenses concerning facilities executed before 17 June 2016 whose amount or duration has not varied after that date, can be deducted by using the 30% (accounting) EBITDA excesses not yet used up to 2018 and carried forward. This specific portion of the EBITDA can be carried over indefinitely (as in the previous system), but it can be used only to deduct interest expenses on the facilities stated above (contrarily, out of this circumstance, any EBITDA excess existing at 2018 year-end is definitively lost).

Moreover, it has been confirmed that interest expenses that have been generated by loans/debts guaranteed by mortgages on real estate up for lease are still not subject to the interest capping rule. Pursuant to law, the benefit of such exclusion is applicable only to companies which carry on “actually” and “prevalently” real estate activity. This is met if the following conditions are fulfilled:

- the greater part of the total assets is formed by the fair value of properties up for lease;
- at least 2/3 of the revenues derive from building rentals and leases of business which is made prevalently by buildings.

These rules do not apply to partnerships, which can fully deduct interest expenses.

Evaluate the impact of the interest capping rule, especially with regard to capitalized interest and carried forward EBITDA. Check if the stated asset test and revenues test are fulfilled to take benefit from full deduction of interest on mortgage loans concerning properties up for lease. In case of refinancing, check if the original financing (other than bridge loans) fulfilled the conditions to enjoy the exclusion from the EBITDA limitation.

Shareholder's debt waivers

Shareholder's debt waivers are taxable for IRES purposes in the hands of the Italian subsidiary to the extent its accounting value, as booked in the subsidiary's general ledger, exceeds its related tax value in the hands of the shareholder.

For this purpose, the shareholder has to communicate in writing to the Italian subsidiary the tax value of its credit waived. In absence of such communication, the entire accounting value of the waived debt is subject to IRES.

In case of shareholder's debt waivers, obtain the shareholder's communication to prevent (or limit) the raising of a taxable contingent income in the hands of the Italian subsidiary.

Passive company legislation

The "passive" (or "non-operative") company legislation postulates that if an "expected minimum" amount of revenues (calculated as a percentage of the average value of the fixed assets over a three-year period) is not reached ("operative test") the company is deemed to be "non-operative", with the consequence that taxation for both corporate income tax (IRES) and regional production tax (IRAP) will not follow the ordinary rules, but will be based on an "expected minimum" taxable income, calculated as a percentage of the value of the fixed assets owned (such minimum income cannot be offset by tax losses carried forward). This rule applies also to partnerships.

For companies which are deemed as "non-operative" the IRES rate is increased by 10.5% (therefore, from 24% to 34.5%). Other implications for "non-operative" companies may include limitations to the tax losses carry-forward and to the VAT credits refund/offset.

Check the impact of the "operative test" and of this special legislation.

Pillar Two considerations

Italy has transposed into domestic law the Minimum Taxation Directive (2022/2523) by means of Legislative Decree No. 209/2023.

The legislation applies to entities located in Italy that are part of a multinational enterprise (MNE) group or a large-scale domestic group with annual revenues of EUR 750 million or more in at least 2 of the 4 fiscal years immediately preceding the tested fiscal year, where their effective tax rate is lower than the minimum rate of 15%.

The imposition of a top-up tax of at least 15% is ensured via two interlocking Global Anti-Base Erosion (GloBE) rules:

- the income inclusion rule (IIR), which applies to fiscal years beginning from 31 December 2023; and
- the undertaxed profits rule (UTPR), which applies to fiscal years beginning from 31 December 2024.

However, in-scope MNE groups are excluded from the application of the IIR and the UTPR in the first 5 years of the initial phase of their international activity.

Additionally, Italy chose to implement a domestic minimum top-up tax (DMTT) (imposta minima nazionale), intended to meet the requirements for the qualified domestic minimum top-up tax (QDMTT) safe harbour.

The Ministerial Decree of 20 May 2024 implemented the Pillar Two transitional safe harbours and the Ministerial Decree of 1 July 2024, provides the implementing rules on the DMTT.

Evaluate the impact of the Pillar Two provisions to the group.

Transfer pricing documentary requirements

The setup of a transfer pricing (TP) documentation according to certain parameters allows avoidance of tax penalties in case of assessment on transfer pricing matters carried out by Italian tax authority (penalties range from 90% to 180% of the higher tax assessed). The existence of such documentation has to be declared in the relevant annual income tax return.

Map intra-group transactions and possibly prepare compliant TP documentation.

Deductibility of local property tax (IMU) on “instrumental” buildings

Local Property Tax (IMU) paid over “instrumental” buildings (these being buildings directly used in the company’s business – therefore subject to depreciation) has become fully deductibility for IRES purpose since FY2022.

This provision is precluded to buildings for sale/inventory (which for builders and at stated conditions, however, may be exempt from local property tax) and those held as investment that do not pertain to the company’s business.

Consider IMU deductibility rules for real estate companies based on the destination of the properties owned.

The 2-year Preventive Composition Procedure (“Concordato Preventivo Biennale” – “CPB”)

The 2-year Preventive Composition Procedure (“CPB”) is a recently introduced option to agree in advance with the Tax Authority the taxable business income of the following two tax periods. Applicable from fiscal year 2024, it aims to streamline tax obligations and encourage voluntary compliance, and it is offered to resident companies which apply “ISA” (Indici Sintetici di Affidabilità, the audit method based on a synthetic index of reliability).

Access to the CPB is allowed provided specific conditions are met (e.g., no unsettled tax/social contributions, no tax criminal sanctions in the preceding three years, regular tax returns filings in the same preceding periods).

Pursuant to the CPB regime, the subsequent 2 years’ taxable income for IRES and IRAP purposes is determined in advance by the Italian Tax Authority on the basis of the information in its hands (CPB regime does not apply for VAT purposes). The taxable income so determined excludes capital gains, extraordinary income/costs and income derived from partnerships actually incurred (these items must be added to the determined taxable income). The 2-year taxable income is then “proposed” to the taxpayer, for acceptance or denial.

In case of CPB option election, if the taxable income agreed is higher than the taxable income of the previous fiscal year, the difference is subject to a substitute tax (of IRES and IRAP) with rate ranging from 10% to 15%.

The CPB regime provides several benefits, such as, among others: exclusion from certain types of tax audits and from the dummy company legislation; a one-year reduction of the statute of limitations.

The option to elect this regime has to be generally expressed within the deadline of the income tax return filing (31 October of each year). The option for the 2-year period FYs 2026-2027 has to be elected by 2 November 2026.

Consider, from a cost-benefit perspective, the subsequent 2 years taxable income automatically determined by the Italian Tax Authorities.

Correction of accounting errors: new tax regime

Legislative Decree No. 192/2025 introduced a revised tax regime with regard to the income taxes relevance of the correction of accounting errors. In particular, accounting errors are now fully recognized for IRES and IRAP purposes upon the following conditions:

1. the accounting errors must be immaterial from an accounting principal perspective;
2. they have been made by companies subject to mandatory statutory audit,
3. the accounting errors are corrected by the date of approval of the subsequent financial statements and, in any event, prior to the commencement of a tax audit;
4. for IRAP purposes, the taxable base is not negative neither in the year in which the accounting error was made neither in the following year when it is corrected (considering the error and its correction and even considering the impact if the error hadn't been made).

If all the above conditions are met, the accounting correction is fully recognized for IRES and IRAP purposes, with the benefit that no penalties will apply (if any).

In all other circumstances, the accounting errors may be corrected by filing amended IRES and/or IRAP returns and by paying additional taxes, if any, together with the relevant penalties where due (e.g., in case of unfaithful tax return, income taxes underpayments, etc.)

Check if there are any 2025 immaterial accounting errors corrected in 2026 that could benefit from the above new tax treatment.

Revised VAT deduction and invoice registration deadlines

Legislative Decree No. 148/2026 (“Omnibus Corrective Decree”) revised the deadlines for exercising VAT input deduction rights and registering purchase invoices. In particular, the new rules provide that:

- the right to deduct input VAT may now be exercised up to the annual VAT return relating to the second year following the year in which the right arose (previously limited to the same year).
- purchase invoices must be recorded prior to the periodic VAT settlement in which the deduction is claimed, and no later than the filing deadline for the annual VAT return relating to the second year following the year the invoice was received.

Check if there are any purchase invoices relating to previous years that can now be recorded, allowing the recovery of the relative input VAT in the FY2026 VAT return (which has to be filed within 30 April 2027).

12 Kazakhstan

Property and land taxes rates

Kazakhstan imposes annual property tax on buildings and facilities owned by legal entities and individual entrepreneurs. The tax base is generally determined based on the average annual book value of the relevant assets taking into account revaluation, which must be carried out at least once every three years.

The standard property tax rate is 1.5%, although preferential rates of 0.5% and 0.1% may apply to certain categories of taxpayers benefiting from special tax treatment (certain non-profit, social and public-interest organisations). In addition, a 0% property tax rate may be available to qualifying investors operating within Kazakhstan's Special Economic Zones ("SEZs") and to investors benefiting from investment agreements.

Land tax is imposed separately on owners and users of land plots. Unlike property tax, land tax is generally calculated based on the location, category, designated use and area of the land rather than its value. For instance, for land plots located within populated areas, annual tax rates generally range from approximately KZT 0.48 to KZT 28.95 (i.e., less than USD 0.01 to approximately USD 0.06) per square metre. Similar to property tax, qualifying investors may benefit from a 0% land tax rate in certain cases, including investments implemented within SEZs or under qualifying investment arrangements.

Further details regarding Kazakhstan's Special Economic Zones and available tax incentives for real estate and investment projects, are provided further.

CIT on rental income and real estate disposals

Income derived from the lease of real estate by Kazakhstan resident companies is generally subject to 20% CIT.

Similarly, gains derived from the disposal of real estate accounted for as fixed assets are also generally subject to 20% CIT and are calculated as the positive difference between the sale proceeds and the tax value of the asset at the beginning of the relevant tax period (adjusted for acquisitions and capital repair expenditures incurred during the year).

VAT on real estate and land plots

As from 1 January 2026, the sale of residential buildings (or parts thereof) is generally subject to 16% VAT. The VAT exemption is limited to residential buildings (or parts thereof) where construction was commenced and/or commissioning took place before 1 January 2026 and does not apply to parts of residential buildings consisting exclusively of non-residential premises. Along with that, the exemption only applies to a party that carries out (or carried out) the construction.

The transfer of ownership, use or disposal rights in land, as well as the lease or sublease of land plots, is generally exempt from VAT. However, this exemption does not apply, inter alia, to land associated with the sale of parts of residential buildings consisting exclusively of non-residential premises or with the sale of residential buildings (or parts thereof) that are subject to VAT.

Special economic zones ("SEZs")

Kazakhstan has established a number of SEZs to attract domestic and foreign investment into priority sectors, including industrial, logistics, technology, certain real estate-related developments, etc. Investors operating within SEZ may benefit from a range of tax incentives, subject to satisfying the applicable eligibility criteria and carrying out approved priority activities.

Among other benefits, qualifying SEZ participants, as was mentioned above, may be entitled to 0% property tax and 0% land tax in respect of assets and land plots used for eligible activities. Additional tax incentives may also be available depending on the nature of the project and the applicable SEZ regime.

Apart from the above, worth mentioning that certain SEZs (e.g. "Morport Aktau", "Saryarqa", "Astana-Technopolis", "TURAN", "Alatau", "Qyzyljar") include "leasing and management of owned or leased real estate" or "construction of residential and non-residential buildings" among their priority activities. This may create opportunities for real estate investors to benefit from broader SEZ tax incentives, including potential CIT exemption in respect of income derived from leasing, real estate management and construction activities, as well as exemption from property tax. The availability of such incentives should be assessed on a case-by-case basis, taking into account the relevant SEZ rules, the nature of the activities performed and the conditions applicable to the particular project.

Before establishing a structure or acquiring real estate within SEZ, investors should confirm that their proposed activities qualify as eligible priority activities and that all requirements for accessing the relevant tax incentives can be satisfied.

Alatau city incentive regime

Apart from the Alatau SEZ mentioned above, investors should also consider the separate incentive framework available under the constitutional legislation governing Alatau city. This framework operates independently from the SEZ regime and may provide additional tax incentives for qualifying investment projects implemented in Alatau city.

Subject to satisfaction of the applicable requirements and conclusion of an agreement with the Alatau city authorities, investors implementing qualifying investment projects in Alatau city may be eligible for additional tax incentives.

Such incentives may include relief from CIT, withholding tax ("WHT"), personal income tax ("PIT"), social tax, VAT, property tax on assets located within Alatau city, land tax in respect of land plots located within Alatau city, as well as other taxes and mandatory budget payments.

The availability of such incentives should generally be determined on a case-by-case basis and are subject to negotiations with, and approval by, the Alatau city authorities.

Investment Agreements

Kazakhstan also offers tax incentives for qualifying projects implemented under an Investment Agreement with the government. Investors meeting the applicable requirements may benefit from, inter alia, 0% property tax and 0% land tax in respect of assets and land plots used for the implementation of the approved investment project.

The availability of these incentives is also subject to satisfying specific eligibility criteria, including investment thresholds, project requirements, compliance with the conditions set out in the relevant investment agreement etc. Incentives are generally available only in respect of assets and activities that fall within the scope of the approved investment project.

Unlike certain SEZ regimes mentioned above, the Investment Agreement regime does not generally provide CIT or VAT incentives in respect of income derived from the leasing and management of real estate. Accordingly, the Investment Agreement regime may be of more limited relevance to investors whose primary activity consists of holding and operating income generating real estate assets.

Investors should assess at an early stage whether their project is eligible for an investment agreement and evaluate the conditions attached to the available incentives, as failure to satisfy these conditions may affect entitlement to the tax benefits.

Capital gains for tax resident individuals

Capital gains derived by individuals from the disposal of residential property are generally subject to 10% PIT. However, an exemption may apply where the property has been held for at least one year (for property registered before 1 January 2026) or two years (for property registered on or after 1 January 2026).

Individuals should consider the applicable holding period before disposing of residential property, as the gain may qualify for a full PIT exemption.

Capital gains on property-rich companies

Investors should note that gains derived from the disposal of shares in Kazakhstan real estate companies may be subject to a Kazakhstan capital gain tax at a rate of 15% (20% in certain cases, i.e. where the seller is registered in a “black-listed” jurisdiction). Along with that, many of Kazakhstan’s double tax treaties contain “property-rich company” provisions that permit Kazakhstan to tax gains derived from shares whose value is derived principally from Kazakhstan immovable property, potentially limiting the availability of treaty relief.

Interest payments

Interest paid by a Kazakhstan borrower to a non-resident lender is generally subject to Kazakhstan WHT at a rate of 10% under domestic legislation. Since many of Kazakhstan’s double tax treaties also provide for a 10% reduced WHT rate on interest, treaty relief may not always result in a further reduction of the Kazakhstan WHT.

Repatriation of income

Dividends distributed by a Kazakhstan property holding company, as well as by any other Kazakhstan resident company, to a non-resident shareholder are generally subject to Kazakhstan 15% WHT (20% if a non-resident is registered in a “black-listed” jurisdiction). However, where the dividends are paid to a person directly or indirectly holding at least 25% of the capital of the Kazakhstan resident company making the distribution, a reduced 5% WHT may apply to dividend income not exceeding 230,000 monthly calculation indices (MCIs) (approximately USD 2 million) and 15% on the excess amount (the above 5% WHT rate does not apply to recipients registered in a “black-listed” jurisdiction).

Where the relevant double tax treaty is available, the WHT rate may be reduced to 5% or 10%, subject to satisfaction of the relevant treaty and domestic requirements. Where a 5% treaty rate is available, it may generally be applied to the entire dividend distribution. Where the applicable treaty provides for a 10% dividend WHT rate, the domestic 5% rate may remain more beneficial for dividend income up to 230,000 MCIs, with the treaty rate applying to the excess amount.

13 Latvia

Matters to be aware of

Due to the increase in the interest rate, it is important to consider the application of thin capitalisation rules (debt to equity ratio of 1:4 and EBITDA 30% rule). As of 1 January 2025, a 3% additional PIT rate on individual's taxable income (including capital gains and dividends paid to individual) is applicable if one's total annual income exceeds EUR 200,000. Effective from 1 January 2026, companies with individual shareholders may opt into an alternative tax regime, whereby profits are subject to a 15% CIT at the company level, followed by a 6% PIT on dividends distributed to individuals.

Stamp duties

Stamp duty is paid by the entity which acquires the ownership rights. In cases where RE ownership rights are obtained as a result of reorganisation, the new owner does not have to pay stamp duty. Stamp duties per immovable property are determined as follows:

- For alienation of real estate (RE) on the basis of a contract is 2% of the RE value if ownership rights are transferred to a legal entity, but not more than EUR 50k.
- For alienation of RE on the basis of a contract is 1.5% of the RE value if ownership rights are transferred to an individual, but not more than EUR 50k.
- For alienation of RE on the basis of a gift agreement is 3% of the RE value.
- Investment of RE into the share capital of a company is 1% of the RE value invested into the share capital, but not more than EUR 50k.

Sale of real estate/rental income

The rental income received by non-resident is subject to 5% withholding tax (WHT). The taxation principles applied to income from the sale of a real estate differs for Latvian residents and non-residents. Sale of real estate by non-residents would be subject to 3% WHT on gross proceeds. This tax must be either withheld by the Latvian purchaser or, in case the transaction is between two non-residents, declared and paid by the non-resident seller.

CIT Act allows non-residents from EU or double tax treaty (DDT) countries to pay 20% on profit from such sale, on condition that the company can justify the acquisition costs by documentary evidence. This tax must also be withheld on a non-resident company's proceeds from the sale of particular real estate or shares in a Latvian or foreign company if Latvian real estate represents more than 50% of the company's asset value (whether directly or indirectly through participation in one or more other Latvian or foreign entities) in the tax period the sale is made, or in a previous tax period.

In practice, particular attention should be paid to wind farm and other infrastructure projects when assessing whether a company qualifies as a Latvian real estate company. While there is no formal methodology or publicly available guidance on this point, we have seen non-binding view of the Latvian tax authorities suggesting that wind turbines should be included in the real estate asset ratio analysis.

Taxation of dividends

The taxation of dividends is made on the company's level. The CIT rate of 20% is applicable to the taxable base. However, before applying the statutory rate, the taxable base should be divided by a coefficient of 0.8. As the taxable base is increased by the coefficient, the effective CIT rate is 25%. As of 1 January 2026, companies whose shareholders are individuals will have the option to apply an alternative CIT rate of 15% at the company's level and withhold PIT rate of 6% on dividend income received by the individual.

CIT exemption: Flow through dividends would be exempt from CIT if they are received from CIT taxpayer or tax has been withheld at source state. In addition, some anti-avoidance provisions would apply aimed at offshore entities or artificial structures.

Review your dividend payment policy to benefit from the current CIT regime (e.g., profits paid out of retained earnings up to 31 December 2017 are not subject to CIT. However, if the shareholder is an individual personal income tax (PIT) rate of 20% is applicable.

Sale of shares and securities

In line with the CIT Act the income arising from the disposal of shares constitutes CIT taxable base. At the same time, the CIT Act provides the relief determining the reduction of the taxable base in case of a disposal of direct participation shares held for at least 36 months (i.e. three years). The relief mentioned is not applicable to the shares held in the companies established in black-listed jurisdictions and to the real estate company's shares.

Please note there are specific rules for the sale of real estate company's shares by non-residents. More details are provided in the paragraph Sale of real estate.

If relevant, please consider that income gained on disposal of shares held for 3 years or more may be used to reduce CIT taxable base.

Losses carried forward

The CIT Act does not include the concept of tax losses.

Deductibility of interest payments

CIT is payable on increased interest payments. The allowable interest shall be calculated applying two methods.

If both methods are applicable, the higher of the two amounts calculated which exceed the calculated threshold should be added to the CIT taxable base.

There are a number of exemptions from the above rules, e.g. qualifying loans from credit institutions do not fall under the mentioned regulation. As of 1 January 2026 thin capitalisation exemptions apply to broader alternative financing sources AIF loans, debt securities traded on a regulated market or MTF in Latvia/EU/EEA, and financing via licensed crowdfunding or investment brokerage providers.

If relevant, consider options for improving equity before year's end to improve deductibility of interest next year, as well as seek for clarification from tax consultants or tax authorities on the use of exemptions of interest deductibility rules.

Exchange of shares

Where a share exchange takes place (one kind of share being exchanged for another kind), payment of PIT is postponed and is due when the individual sells the shares acquired through exchange.

Provision for bad debts

Provisions for bad debts do not become a subject to CIT if debts are repaid during a 36-months period. If a company made provisions up to 31 December 2021 and the debtors are going through insolvency proceedings, the recovery period may be extended to 60 months.

Opportunities to recover bad debts should be considered to decide how much provision for bad debts is necessary.

Write-offs for bad debts

Bad debts must comply with certain criteria listed in the CIT Act in order not to constitute the CIT taxable base, when written off.

Transfer Pricing

All related-party cross-border payments as specified in the Taxes and Duties Act must comply with the arm's length principle. Failure to present appropriate documentation to the tax administration might result in the non-acceptance of group charges and penalties for tax purposes.

The arm's length principle should be duly followed and documented. From 2026 there is a new annual structured TP disclosure, to be filed electronically within 12 months of year-end where controlled transactions exceed EUR 250,000, with the first reports due by 31 December 2026. Documentation itself is submitted only on SRS request (within 30 days), with Local File at EUR 250,000 and Master File at EUR 20,000,000 thresholds.

Real Estate tax

Companies have to pay annual real estate tax (RET). Municipalities set the applicable rate within a statutory band of 0.2–3% of the cadastral value; however, the standard rate applied to land and commercial (non-residential) property is 1.5%.As of 1 January 2024, there is 50% tax relief available for energy-efficient buildings in Riga. Tax relief is granted for newly built or fully renovated buildings that are delivered for occupancy after 2023. Energy efficient buildings eligible for relief mean newly built or fully renovated buildings with international certification such as BREEAM International New Construction, BREEAM Refurbishment and Fit-Out, LEED BD +C or DGBN certificate with at least a 55% rating.

As of 1 January 2025, there are two cadastral values for each cadastral object: the fiscal cadastral value and universal cadastral value. The fiscal cadastral value is used for the calculation of taxes and state fees, while the universal cadastral value is used for other purposes (e.g., accounting and financial reporting). In accordance with The National Cadastre of Real Estate Act the cadastral values are changed once every four years if the property market or factors affecting the value of an area have changed. The base of cadastral value for the period from 2025 to 2028 has been approved and has been in force as of 1 January 2025.

Consider the RET payments taking into account the available exemptions and possible changes in cadastral value.

Value-added tax (VAT) legislation regarding sale of real estate in Latvia

According to VAT Act sale of unused real estate and development land attracts the standard VAT rate of 21%. Under VAT Act, development land is defined as a piece of land that is covered by a permit issued under construction law for building development, engineering communications or access roads.

Input VAT incurred upon construction works, renewal, rebuilding or restoration is recoverable if the building is intended to be used for taxable transactions. The taxable person should follow the deducted input VAT for 10 years, that is, follow whether the actual use of real estate is not different from the planned one and no adjustment of the deducted input tax is required.

There might be claw-back provision, if a real estate previously acquired with VAT has been further sold as used within the meaning of VAT. It means that the seller is liable to repay a proportion of input VAT previously recovered. Option to tax allows a registered taxable person to charge VAT on supplies of used real estate transactions. This option is available only where property is registered with Latvian tax authorities and sold to a registered taxable person.

Make sure that VAT for the sale of real estate has been applied correctly.

VAT grouping

The VAT grouping facility helps related companies reduce their administrative burden and improve cash flows, as their mutual transactions no longer attract VAT. A single VAT return can be filed covering all group companies. This especially benefits group companies with both taxable and exempt supplies and companies that have extensive sales outside Latvia.

Consider the option of creating a VAT group.

Reverse-charge VAT on construction services

Construction services are subject to domestic reverse-charge VAT, meaning VAT is paid by the recipient. VAT Act defines construction services as any performance of construction work and all types of design work included in a construction project.

Make sure that reverse-charge VAT has been applied correctly.

Permanent establishments

If you have not registered a legal entity or a branch in Latvia, consider if your business operations have created a permanent establishment (PE), which requires a CIT compliance in Latvia.

Consider the requirements for registering a PE in Latvia.

Management fees

Management and consulting fees paid to non-residents are subject to a 20% WHT. However, WHT may be eliminated under provisions of the respective tax treaty. In order to apply for a more favorable tax regime, a non-resident has to provide the payer with a tax residency certificate.

The Latvian taxpayer should obtain this certificate from the income recipient and approve with the Latvian tax authorities until the financial statement submission deadline.

14 Luxembourg

Corporate tax rate

The aggregate income tax rate for FY2026 is 23.87% for companies located in Luxembourg City (16% corporate income tax plus the 7% employment fund surcharge thereon and 6.75% municipal business tax). The draft budget law for 2027 provides for a reduction of the standard corporate income tax rate to 15% for taxable income exceeding EUR 250,000 (13% for taxable income up to EUR 200,000) as from FY2027, which would reduce the aggregate rate in Luxembourg City to 22.80%.

Monitor the 2027 budget law and, where feasible, defer taxable income (e.g. disposal gains) to FY2027 and accelerate deductible expenses into FY2026.

Losses carried forward

Tax losses incurred as from FY2017 may currently be carried forward for 17 years (losses incurred before 2017 without time limit); a carry-back is not possible. The draft budget law for 2027 provides for the abolition of the 17-year limitation as from tax year 2027, including for losses incurred after 31 December 2016.

Update the loss carry-forward schedule as part of the FY2026 closing and reassess loss utilisation once the 2027 budget law is adopted.

Net Wealth Tax (NWT)

NWT of 0.5% (0.05% on the portion exceeding EUR 500 million) is levied on the unitary value (net asset value) as at 1 January of each year. Exemptions are available under the participation exemption regime and under tax treaties (e.g. real estate located abroad). NWT can be eliminated or reduced if a special reserve equal to five times the tax is created before the end of the following year and maintained for the following five years.

Review the net asset position and exempt assets before 31 December 2026 and create any NWT reserve required for NWT 2025 by that date.

Minimum Net Wealth Tax

A minimum NWT applies to all corporate entities with their statutory seat or central administration in Luxembourg: EUR 535 (total balance sheet up to EUR 350,000), EUR 1,605 (up to EUR 2,000,000) and EUR 4,815 (above EUR 2,000,000).

Check the expected balance sheet total as at 31 December 2026 against these thresholds.

Withholding tax

Dividends are generally subject to 15% withholding tax unless the participation exemption conditions are met or a lower treaty rate applies. Interest and liquidation proceeds are not subject to withholding tax; directors' fees are usually subject to 20% withholding tax.

Before year-end distributions, verify the participation exemption or treaty relief; otherwise, consider repatriation via liquidation proceeds.

Real Estate Levy

Since 1 January 2021, SIFs, RAIFs and Part II UCIs with legal personality holding Luxembourg real estate (directly or through tax transparent entities) are subject to a 20% Real Estate Levy on gross rental income and net disposal gains derived from such real estate.

File the 2026 Real Estate Levy return with the auditor's certificate by 31 May 2027 and pay the levy by 10 June 2027.

Payments to EU "black-listed" countries

Since 1 March 2021, interest and royalties paid or due to related corporate entities established in jurisdictions listed in Annex I of the EU list of non-cooperative jurisdictions are not tax deductible (see Circular L.I.R. n°168/2 of 31 May 2022). Following the Council revision of 9 October 2026, Annex I comprises American Samoa, Anguilla, Guam, Palau, Russia, Turks and Caicos Islands, US Virgin Islands and Vanuatu (Panama and Viet Nam were removed); the next revision is scheduled for February 2027.

Screen FY2026 related-party interest and royalty payments against Annex I before year end, restructure where necessary and monitor the February 2027 revision.

VAT grouping

Since 31 July 2018, Luxembourg resident companies and local branches of foreign companies with financial, economic and organisational links can form a VAT group (all-in/all-out, minimum duration of two calendar years). VAT groups can mitigate irrecoverable VAT costs and cash-flow effects on intra-group charges.

Assess the benefits of a VAT group and, if appropriate, prepare its set-up for 2027.

VAT and transfer pricing

Since 31 July 2018, the VAT authorities may replace the consideration agreed between related parties by the open market value where the purchaser or the supplier has a limited VAT recovery right (Article 80 EU VAT Directive).

Review intra-group charges invoiced in 2026 involving entities with limited VAT recovery and align them with open market value.

Directors' fees

Directors' fees paid to individuals acting independently for VAT purposes are subject to 17% VAT (Circulars of 30 September 2016 and 11 December 2024). Directors and managers may be held personally liable for VAT underpayments, late payments or non-compliance if they failed in the performance of their duties.

Verify before year end whether directors' fees are subject to VAT and that all 2026 VAT filings and payments are complete.

FAIA requirement

The VAT authorities may request an electronic structured audit file (FAIA) from VAT-registered entities under the normal regime that apply the Luxembourg Standard Chart of Accounts and perform more than 500 transactions per year. Such requests are increasingly frequent and failure to provide the file may attract penalties.

Test before year end that the FAIA file for FY2026 can be generated.

Interest limitation rules

Exceeding borrowing costs are deductible up to the higher of 30% of EBITDA or EUR 3 million. Non-deductible amounts may be carried forward without time limit and unused interest capacity for five years. Loans granted before 17 June 2016 and not modified since are grandfathered.

Estimate FY2026 exceeding borrowing costs and, if the cap is exceeded, adjust the financing structure before fiscal year end. Do not amend grandfathered loans.

Controlled foreign company rules (CFC)

CFC rules target non-distributed income of controlled foreign companies arising from non-genuine arrangements put in place for the essential purpose of obtaining a tax advantage.

Review foreign subsidiaries and permanent establishments for CFC exposure as part of the FY2026 closing.

Anti Tax Avoidance Directive (ATAD) II

ATAD II neutralises deductions without inclusion and double deductions resulting from hybrid mismatches between associated enterprises (generally a 50% link; 25% for financial instruments), under structured arrangements, between a head office and its permanent establishment or between permanent establishments of the same entity, or in cases of dual tax residence. Fund investors holding less than 10% are, unless demonstrated otherwise, not regarded as acting together.

Review financing instruments and entity classifications (including at investor level) for hybrid mismatches before year end.

Reverse hybrid rules

Since tax year 2022, Luxembourg transparent partnerships are subject to corporate income tax on income not taxed elsewhere where associated non-resident entities holding 50% or more consider them as taxable persons. The rule does not apply where non-inclusion results from the investors' tax-exempt status or the absence of corporate tax in their jurisdiction, nor to collective investment vehicles (e.g. UCIs, SIFs, RAIFs and certain widely held AIFs). Circular L.I.R. n°168quater/2 of 12 August 2025 clarifies the conditions of this exemption (widely held, diversified portfolio, investor-protection regulation).

Confirm the investors' tax classification for each Luxembourg partnership and document any reliance on the collective investment vehicle exemption.

DAC 6 – Disclosure for certain cross-border arrangements

Since 1 July 2020, intermediaries and relevant taxpayers must report certain cross-border arrangements to the tax authorities. Proper documentation is crucial even where no reporting is required. The European Commission has proposed a recast of the DAC which would, inter alia, exclude groups within the scope of Pillar 2 from DAC 6 reporting and remove the generic hallmarks (category A); until adopted and implemented, the current rules continue to apply.

Screen cross-border transactions implemented in 2026 for reportable arrangements and document the analysis.

Transfer pricing disclosure

Luxembourg companies must indicate in their corporate tax return whether they entered into transactions with related parties and whether they apply the simplification measure of the TP Circular L.I.R. n° 56/1 – 56bis/1.

Prepare the transfer pricing disclosures and supporting documentation for the FY2026 tax return.

Country-by-Country reporting (CbCR)

Where the ultimate parent of an MNE group is resident in a jurisdiction not listed in the applicable grand-ducal regulation, the CbC report must be filed by a surrogate entity or by a Luxembourg affiliate. In addition, the Luxembourg law implementing the Public CbCR Directive has been in force since 22 June 2024 and concerns EU and non-EU MNE groups doing business in the EU through a branch or subsidiary with total consolidated revenue exceeding EUR 750 million in each of the last two consecutive financial years.

Confirm before year end whether (public) CbC reporting applies for FY2026 and which entity files the report and notification.

Substance in Luxembourg

Foreign tax authorities increasingly challenge the substance of Luxembourg holding companies. It is recommended to evidence effective management and control in Luxembourg, minimum local substance (e.g. bookkeeping) and at least one local director with real decision-making power. Transfer pricing requirements also call for a majority of Luxembourg tax resident board members and sufficiently qualified personnel.

Review the board composition and the 2027 meeting calendar before year end; take key decisions in Luxembourg and document them in minutes.

Pillar 2 Law

The Luxembourg Pillar 2 law (IIR, UTPR and QDMTT) applies to groups with consolidated revenue of at least EUR 750 million for fiscal years starting on or after 31 December 2023 (UTPR one year later). The amending law of 19 December 2024 treats investment funds and REIVs that are not Ultimate Parent Entities solely because no consolidation is required as Ultimate Parent Entities for the Excluded Entity test, introduces a QDMTT safe harbour switching off the Luxembourg IIR and UTPR for qualifying jurisdictions, and excludes Luxembourg entities of MNE groups in their initial phase of expansion from the QDMTT for five years.

Confirm and document the Excluded Entity status of fund, REIV and holding entities for FY2026 and assess the QDMTT safe harbour.

15 The Netherlands

CIT | Statutory corporate income tax (CIT) rates

The (highest bracket) corporate income tax (CIT) rate is expected to remain at 25.8% per 1 January 2027. The threshold for the lower bracket is EUR 200,000. The rate for profits up to this threshold is expected to remain at 19% as of 1 January 2027.

CIT | interest deduction limitation housing corporations

From 2028, housing corporations are expected to be fully exempt from the earnings-stripping interest deduction limitation rule (an ATAD measure), meaning that the full net interest balance will be deductible each year, subject to any other limitations. The current system continues to apply to the interest balance carried forward that arose in financial years commencing before 1 January 2028. The intended effect is to increase the investment capacity of housing corporations. This measure is expected to be introduced to a separate bill at a later stage, at which point the details will also be announced.

For financial reporting purposes, the carry forward of disallowed interest may be deductible in future years. An assessment should be made whether a DTA can be recognised for the interest that was not deducted in previous periods and should consider to the extent that it is probable that taxable profit will be available against which the disallowed interest carry forward can be utilised. In particular consider the impact of reversing deferred tax liabilities. When there are insufficient DTLs available, the other sources of taxable profit are considered. Once the tax law change is (substantively) enacted, it could potentially result in a lower current tax charge as of 2028 as additional interest expenses could be deductible.

CIT | loss offset rules for latent losses

The Dutch Supreme Court has ruled that the limitation on loss set-of that is included in Dutch tax laws, meaning that in case of a significant change of ownership (30% or more) in a taxpayer the available tax losses forfeit, also applies to latent losses, i.e. losses that have not yet been realized at the time of the change of ownership. This also applies if the loss is realized for tax purposes years after the change of ownership.

These rules must be taken into account in case of a change of ultimate ownership, for example it can influence a tax due diligence investigation and the determination of the purchase price as well as the determination and substantiation of positions in the corporate income tax return in years following the change of ownership.

This is hence particularly relevant for real estate companies where the tax book value of properties exceeds the fair market value and where the tax claim on the loss may forfeit upon a change of the ultimate ownership of 30% or more.

The Supreme Court has not established rules for determining the amount of a deferred loss and has not addressed the allocation of the burden of proof. With substantiated documentation at the time of the change in ownership, you are more secure when the loss is realised. Anyone who holds assets or liabilities on the books whose market value and tax book value do not correspond would therefore be well advised to substantiate and document the difference in value for each item prior to a proposed change of ownership.

CIT | FGR definition

Last year we updated you about the new classification rules for partnerships and funds. As a general rule, Dutch and foreign partnerships are currently considered transparent from a Dutch tax perspective, unless the qualify as fund for joint account (fonds voor gemene rekening, FGR).

In December 2025, the Dutch legislator initiated a public consultation on a revised definition of the fund for joint account (FGR), including the introduction of an elective transparency regime based on an opt-out mechanism (afmeldregeling). In the consultation feedback report, the legislator acknowledged that a significant number of respondents favoured an alternative opt-in approach (aanmeldregeling), under which tax transparency would be the default position and FGR status would apply only where explicitly elected.

The legislator is currently assessing the merits of both approaches. A legislative proposal is expected to be published in Q1 2027.

In the meantime, grandfathering provisions remain available for Dutch and foreign limited partnerships that, as a result of the classification rules introduced on 1 January 2025, would be classified or reclassified as a non-transparent FGR, either from that date or upon their subsequent establishment.

These transitional measures will continue to apply until the revised FGR definition becomes effective, which is currently not expected before 1 January 2028.

CIT | increase deduction percentage EIA

The deduction percentage for the energy investment allowance (EIA) is proposed to be increased from 40 per cent to 45.5 per cent per 1 January 2027.

RETT – reduction rate for residential real estate

As of 1 January 2027 the real estate transfer tax (RETT) rate that applies to the acquisition of residential real estate will be lowered to 7%, where it is currently 8%. This rate only applies to residential real estate that is held as investment. Acquisitions of such residential real estate completed on or after 1 January 2027 benefits from this reduced RETT rate, where on acquisitions that take place before year end the 8% rate still applies. For other real estate, i.e. non-residential real estate, the rate is 10.4%.

We do note that this 7% RETT rate only applies to residential real estate, i.e. properties that qualify as a dwelling. This means that the property, at the moment of acquisition, in its nature is fit for residential purposes. Also any appurtenances to the acquired dwelling are in scope of this 7% rate. It should be noted that non-residential real estate property that at the moment of acquisition in its nature is not fit for residential purposes and which is intended to be redeveloped into residential real estate, does not qualify for the 7% rate.

16 Norway

Corporate tax rate

The corporate income tax rate for both residents and non-resident corporate real estate investors is 22% for 2026. The rate is expected to remain unchanged for 2027.

Tax consolidation

Norwegian tax law allows for tax consolidation/group relief by way of group contributions. The main condition is that the rendering and receiving entity must be within the same tax group, where the parent company must directly or indirectly own more than 90% of the shares and voting rights in both entities. If a Norwegian holding entity draws down debt in connection with the acquisition of shares in a Norwegian entity owning real estate, it should be possible to carry out tax effective "debt pushdowns" by way of rendering group contributions where the income in the acquired entity is used to offset the holding entity's losses (interest costs etc.)

Consider whether group contributions can be used to reduce the overall Norwegian tax burden, provided the requirements are met at year end.

Tax losses carried forward

Tax losses can be carried forward indefinitely and may be utilised against any future taxable profit in the company. Tax losses can also be offset through group contributions from other entities in the tax group.

As a starting point, a transaction will not restrict the utilisation of tax losses carried forward. However, Norwegian anti-avoidance rules/GAAR may apply if the main motive behind the transaction is to utilise the tax losses carried forward. If so, the tax benefit may be forfeited.

Prior to acquiring companies with significant tax losses, the investor should ensure that the transaction is primarily commercially driven, and that the commercial rationale is adequately documented.

Dividends and withholding tax

Dividends distributed to Norwegian resident corporate shareholders are tax exempt under the Norwegian participation exemption method. Norway levies withholding tax ("WHT") on dividends distributed to non-resident shareholders at a domestic rate of 25%. The WHT rate may however be reduced under an applicable double tax treaty or be fully exempt under the Norwegian participation exemption. For the Norwegian participation exemption to apply, there is a substance requirement.

Repayment of paid-in capital and liquidation proceeds are not subject to withholding tax.

It should be verified whether the WHT rate may be reduced under an applicable double tax treaty or be fully exempt under the Norwegian participation exemption.

Capital gains tax on shares

Capital gains are as a starting point taxable at 22% for corporate shareholders but may be fully tax exempt if the Norwegian participation exemption applies. To the extent capital gains are not taxable, losses on the shares are not deductible. Norway does not levy capital gains tax on sale of shares by non-resident shareholders.

It should be assessed whether the Norwegian participation exemption applies for Norwegian shareholders.

Capital gains tax on property and real estate transactions

Capital gains on the sale of real property are taxable, and capital losses deductible, for both residents and non-resident taxpayers. Gains on business-use real estate, whether depreciable or non-depreciable, may be transferred to a "gains and loss account", from which at least 20% must be entered as income annually. This allows partial deferral of income recognition. Losses must be transferred to the account and may be deducted by a maximum of 20% annually on a declining balance basis.

For sellers, a share deal is generally more tax-efficient than an asset deal. Under the participation exemption method, a qualifying corporate seller's share gain is tax-exempt, whereas a gain on an asset deal is taxable. For buyers, a share deal is less favourable. The property's existing tax value and depreciation base remain in the target company, whereas an asset deal allows a "step-up" of the depreciation base to the purchase price, with higher future tax depreciation.

Market practice is therefore to agree on a tax discount in share deals. The discount is based on technical calculations, commercial negotiations or both. It is reflected in the agreed property value and the share purchase agreement's purchase price mechanism, and should make up for the lower inherited depreciation base.

Sellers should consider a share deal over an asset deal, as gains on the shares are tax-exempt under the participation exemption method. However, where the property-holding company has significant tax losses carried forward, an asset deal may be more advantageous, as the losses can be utilised against the taxable gain.

Stamp duty

A 2.5% stamp duty is payable on the transfer of real property title in Norway. The stamp duty is calculated on the sales value (i.e., the market value) of the property. There is no stamp duty on sublease of property, the transfer of shares or parts in limited liability companies/partnerships holding real estate.

To avoid stamp duty, we recommend structuring the sale as a share deal rather than an asset deal.

Property tax

Property tax is a municipality tax that is set by each individual municipality. The basis for the calculation of property taxes is a stipulated valuation based on the square meter price, size and location of the property. For business properties, the property tax is calculated as a percentage of the stipulated valuation. The local municipality may choose to impose a property tax on commercial properties in a range of 0.1%–0.7% depending on the location of the property. The property tax is paid on four terms each year. Commercial property must be valued by the municipality before property tax can be levied. As a general reassessment takes place only every 10 years, a correct tax base is essential.

We recommend monitoring potential changes in the property tax rate and the valuation assessment in the municipality where the property is located.

Capitalisation and depreciation

The acquisition cost of land and sites is not depreciable for tax purposes. Buildings/assets used for business purposes will normally be depreciable in accordance with the declining balance method. The buildings/assets are allocated to different depreciation groups based on type of asset (e.g. office buildings, other buildings and technical installations), and may be depreciated annually at the maximum rate for the group in question (2-30%).

If a project is completed during the year, ensure that the costs are allocated to the correct depreciation groups.

Maintenance and upgrades

All costs related to operation and administration of the property, including depreciation, are deductible. Maintenance costs are tax deductible in the year they incur. Costs related to improvement or upgrades of the building in later years must be capitalised on the relevant asset group and will be deductible through annual depreciations of 2%–30% depending on the group.

If a project is completed in the year, make sure to separate maintenance costs from improvement costs. Note that the distinction also has VAT consequences.

Interest deduction limitation

Norwegian group entities are subject to interest deduction limitations where combined net interest expenses across the Norwegian part of the group exceeds NOK 25m. If so, the maximum deduction in each company is 25% of tax EBITDA. However, all interest costs will be deductible if the equity escape clause exemption applies.

The equity escape clause applies if it can be demonstrated that the equity ratio at company level or for the Norwegian part of the group combined is no more than 2 percentage points lower than the equity ratio in the group. The equity ratio in the group is measured at the highest level in the structure where the group consolidates or may consolidate in accordance with IFRS.

Separate rules apply to debt to related parties outside of the Group, where the threshold is NOK 5m. Any interest cost to a related party not comprised by the group (e.g., individual holding 50% of the shares/interest in the Norwegian taxpayer directly or indirectly) is limited to 25% of the Norwegian company's tax EBITDA when exceeding the threshold. These interest costs are not covered by the above-mentioned equity escape clause.

Any increased taxable income arising from the interest limitation rules cannot be offset by any brought forward tax losses or by group contributions. Consequently, an adjustment under these rules is likely to result in additional tax payable. However, current year tax losses may be offset. Disallowed interest costs can be carried forward up to ten years.

At year-end, net interest expenses should be calculated for all Norwegian group entities and, separately, for interest paid to related parties outside the group. Where the thresholds may be exceeded, prepare the tax EBITDA calculations and document whether the equity escape clause can be applied. This includes making sure consolidated accounts are prepared at the right level in the group.

Paid-in capital

In October 2025, it was proposed that paid-in capital is limited to the shareholder's own cost basis, effective from 2027. One proposal would grant tax exemption for previously paid-in capital on the share (as under current rules), but with the exemption capped at the shareholder's own input value. The alternative proposal would allow tax exemption up to the shareholder's own input value, regardless of the amount previously paid in on the shares.

The Norwegian national budget for 2027 was presented on 7 October 2026. No immediate changes to the paid-in capital rules are proposed from 1 January 2027, contrary to the original timetable. Instead, it was notified that further assessments of the proposed law changes will be undertaken by the Ministry of Finance. Please note that there is broad support among consultees for changing the rules, but they disagree on which approach should be preferred. No timeline for introduction or effective date has been given, and there is no indication of any transitional rules.

Monitor the development and consider distributing the paid in capital.

VAT

Voluntary VAT registration

As a main rule, the purchase, sale, lease or sublease of real property is exempt from VAT in Norway. However, owners/lessors and sub-lessors of real property may apply for a voluntary VAT registration where the property is leased for use in VAT-liable activity or activity comprised by the Norwegian VAT compensation scheme. Such registration may often be advantageous because it allows for deduction of input VAT on construction, maintenance and improvement costs. The standard VAT rate is currently 25%.

Assess whether voluntary VAT registration should be applied for, particularly where significant costs are incurred or planned, and ensure an unbroken chain of registered lessors down to the end user. If voluntarily registered, input VAT on costs incurred before registration may be recovered retroactively, subject to certain conditions. For building projects, however, retroactive recovery is not available if the building is not let within six months of completion. The input VAT incurred may however been recovered over the VAT adjustment period through a VAT adjustment right.

Documentation of use

Lessors must maintain documentation demonstrating how the building is used, including drawings and lease agreements identifying the areas used for VAT-liable purposes. An annual overview of the use of the premises must be available. Where the premises are sublet, the end use of the premises must be documented. Construction costs must be recorded separately for each building and allocated to the relevant users.

Before year end, prepare an overview of how the premises have been used during the year and obtain tenant confirmations for all areas, including any sublet areas. Review the deduction keys applied and ensure that they reflect the actual use of the premises.

VAT adjustment rules

Construction of a new building and extensions or alterations on an existing building, is subject to the VAT adjustment rules where input VAT exceeds NOK 100,000. A VAT adjustment obligation or right implies that deducted VAT might be adjusted if the use of the capital goods in VAT liable activity is changed during the 10-year lock-in period, or if the capital goods are transferred through asset sale, or a merger/demerger. The obligation to repay VAT can normally be omitted if an adjustment agreement is entered into within applicable deadlines.

Review changes in the use of each property during the year, including vacant areas, new tenants, mergers/demergers and other changes that may affect the VAT recovery position.

Sale and transfer of property

The sale of real property is exempt from VAT and may thus trigger an adjustment of input VAT previously deducted on construction and improvement costs. Subject to certain conditions, the remaining adjustment obligation may be transferred to the buyer under a written adjustment agreement. The sale of shares in a property-owning company does not, in itself, trigger an adjustment.

Before completing a transaction involving real property, identify any VAT adjustment obligations/rights and ensure that required VAT adjustment agreements and documentation are in place.

Mandatory e-invoicing from 2027

Starting from 1 January 2027, mandatory electronic invoicing (e-invoicing) for transactions between businesses with bookkeeping obligations will be introduced in Norway.

Comply with the legal requirements from 2027 onwards.

17 Poland

CIT rates

The standard corporate income tax (CIT) rate is 19%. A reduced 9% rate applies to small taxpayers, i.e. taxpayers whose gross sales revenue (including VAT) in the previous tax year did not exceed the PLN equivalent of EUR 2m, provided that revenue in the current tax year also does not exceed EUR 2m. The reduced rate does not apply to income from capital gains or to taxpayers created as a result of certain restructurings (e.g. mergers, divisions, in-kind contributions of an enterprise). If the threshold is exceeded in the current year, the 19% CIT applies to the whole income for that year.

Verify eligibility for the 9% rate for each company for 2027.

File the CIT return by the end of the third month following the end of the tax year.

Standard CIT files (JPK_CIT)

As of 1 January 2025, Polish CIT taxpayers are gradually becoming subject to new electronic bookkeeping and tax reporting obligations under the JPK_CIT regime, which requires maintaining accounting records in a structured electronic format and submitting additional annual tax reporting files to the Polish tax authorities. The obligation applied from 1 January 2025 to taxpayers with revenue exceeding EUR 50m and tax capital groups, applies from 1 January 2026 to other taxpayers obliged to submit JPK_VAT, and will apply from 1 January 2027 to the remaining CIT taxpayers keeping electronic accounting records.

Review the compliance with the JPK_CIT requirements and ensure that the accounting systems and reporting processes continue to support accurate preparation and submission of the JPK_CIT files.

Interest capping rules

Net debt financing costs are deductible up to the higher of PLN 3m or 30% of tax EBITDA. The excess may be carried forward for 5 years. In practice, the FIFO methodology is commonly applied to recognise the excess carried forward. The rules apply to both related and unrelated party debt, which is particularly relevant for leveraged real estate SPVs.

Verify whether there are any tax assets due to unrecognized debt financing costs carried forward during the calculation of CIT for 2026.

Losses carried forward

Tax losses may be carried forward for 5 years; up to 50% of a loss may be used in a given year, or up to PLN 5m once (with the remainder subject to the 50% limit in subsequent years). Losses may not be utilised e.g. by the acquiring/new entity after mergers, divisions or in-kind contributions of an enterprise, or where the main business activity changes following a change of control (at least 25% of shares acquired by new shareholders) or contribution of assets. Losses from separate income sources (capital gains vs. operating) can only offset income from the same source.

Verify whether there are tax losses to be utilized in 2026.

Polish real estate companies

An operating company qualifies as a real estate company where (i) at the first day of the tax year (or at the end of the previous year) at least 50% of the balance-sheet value of its assets, directly or indirectly, consists of Polish real estate with a balance-sheet value exceeding PLN 10m and (ii) in the previous tax year at least 60% of its revenue derived from the rental, lease, sale or similar use of real estate (for entities beginning its business activity, only the asset test applies, measured on the first day of activity).

Real estate companies (and their direct/indirect shareholders holding at least 5%) must disclose information on their direct and indirect shareholders to the tax authorities by the end of the third month after year end. Real estate companies act as tax remitters on the sale of their shares by non-residents (the seller must transfer the tax to the company, which remits it by the 20th day of the following month).

Confirm status for 2026 and 2027 and file the shareholder disclosure by 31 March 2027 (calendar year) to avoid penalties.

In the event of a disposal of shares in a Polish real estate company, verify whether the company may be required to act as the tax remitter with respect to the transaction.

Tax on revenue from buildings

Owners of commercial buildings (i.a. shopping centres, retail buildings, warehouses, and office buildings) located in Poland that are leased out are subject to a tax of 0.035% per month on the initial tax value of each building exceeding PLN 10m (the PLN 10m allowance is applied once per taxpayer). The tax is creditable against CIT advances and the annual CIT and refundable to the extent not credited, subject to statutory conditions (incl. a tax authority verification of the justification of the refund).

Monitor the monthly payments and the potential refund position for 2026.

Minimum income tax

A minimum income tax of 10% applies to taxpayers incurring a tax loss from operating activities (other than capital gains) or with a profitability ratio of up to 2%. The tax base is generally 1.5% of operating revenue plus certain costs (e.g. excess debt financing costs, certain intangible services costs to related parties); alternatively, taxpayers may elect a simplified base of 3% of operating revenue. Several exemptions apply (e.g. entities in the first three years of business activity, decrease of revenue by at least 30%, certain financial institutions).

Test entities whether they are obliged to pay minimum income tax in 2026.

Withholding tax compliance and pay & refund mechanism

Polish entities making cross-border payments subject to WHT are required to verify the applicable tax treatment, collect and retain supporting documentation and fulfil statutory reporting obligations. Depending on the type of payment and the WHT relief claimed, the documentation may include valid tax residency certificates, beneficial ownership statements, evidence confirming the beneficial owner status of the payment recipient (incl. business substance) and documents demonstrating that the due care requirements have been met.

In addition, WHT remitters are required to submit withholding tax returns and information reports to the Polish tax authorities.

Further, under the Polish WHT regime, payments of dividends, interest and royalties made to related parties may become subject to the mandatory pay-and-refund mechanism once the annual PLN 2m per recipient is exceeded. In such cases, WHT must generally be withheld at the domestic rate (19% for dividends, 20% for interest and royalties) on the excess and the application of exemptions or reduced treaty rates is deferred unless the remitter files the relevant management board statement or obtains a WHT clearance opinion. Where neither of these mechanisms is used, the taxpayer or the remitter (provided that it has borne the economic burden of the tax) may apply for a WHT refund.

Even below the PLN 2 million threshold, the application of WHT exemptions or reduced treaty rates remains conditional upon meeting all statutory requirements, including the due care standard.

Beneficial owner and substance requirements for WHT purposes

WHT is currently one of the main areas of focus in Polish tax audits, and the requirements for applying WHT relief are demanding.

The remitter must exercise due care when verifying whether the conditions for a reduced rate, exemption or non-collection are met. In its explanatory notes of 3 July 2025, the Ministry of Finance provided additional guidance on the application of the beneficial ownership requirement for WHT purposes, including the assessment of genuine business substance and the use of the look-through approach. The guidance should be read together with the Supreme Administrative Court case law on beneficial ownership and look-through (which is not fully uniform). However, the availability of WHT relief should still be assessed on a case-by-case basis, taking into account the specific facts and circumstances of each payment and whether all statutory conditions are satisfied.

Consider whether all conditions to apply WHT benefits are met, in particular the beneficial ownership requirements (incl. business substance) before payments to the foreign entities. Collect certificates of residence and beneficial ownership documentation before each payment. Collect robust documentation confirming execution of due care in particular for related party transactions.

File the CIT-10Z return and the IFT-2R information (to the tax office and to the recipient) by the end of the first and third month following the tax year, accordingly.

Consider applying for WHT refund or WHT clearance.

Transfer pricing

Related-party transactions must comply with the arm's length principle. As a rule, local files are required above thresholds of PLN 10m (goods/financial transactions) and PLN 2m (services/other) and must be prepared by the end of the 10th month after year end. The TPR report is filed by the end of the 11th month after year end.

Prepare the TP documentation and TPR-C report for 2025 by 31 October 2026 and 30 November 2026 accordingly and review whether the transactions concluded in 2026 are at arm's length.

Documentation confirming the performance of intangible services

Under Polish tax regulations, taxpayers claiming tax deductibility of costs related to intangible services should retain sufficient evidence demonstrating that the services were actually performed. Invoices and agreements alone are not considered sufficient evidence for this purpose.

Moreover, joint and several liability under the Polish VAT Act has been extended to certain intangible services. However, these rules do not apply where the split payment mechanism was used and the taxpayer was not aware that the transaction was fictitious.

Review whether the tax deductibility of costs recognised and input VAT recovered in 2026 relating to intangible services are supported by adequate documentation evidencing the actual performance of such services.

Real estate tax

From 1 January 2025 the definitions of 'building' and 'structure' were amended and are now autonomous from construction law. The maximum rates in 2027 are PLN 36.49 per m^2 for business buildings, PLN 1.49 per m^2 for business land, and 2% of the value of structures. Actual rates are set by municipal resolutions.

Review the classification of buildings and structures under the new definitions, confirm the rates for lands and buildings applicable in the relevant municipality and file the RET return for 2027 by 31 January 2027.

Value added tax (VAT) – KSeF

Mandatory structured e-invoicing via the National e-Invoice System (KSeF) has applied from 1 February 2026 for taxpayers whose sales (including VAT) in 2024 exceeded PLN 200m and generally from 1 April 2026 for other taxpayers. From 1 February 2026 all taxpayers must be able to receive invoices via KSeF. Penalties for non-compliance are planned to apply from 1 January 2028.

Ensure that all rental and service invoices are issued and received via KSeF (if required).

Mandatory disclosure rules (MDR)

Amended MDR rules have been in force since 1 October 2026. Currently, only cross-border arrangements remain reportable. The domestic schemes, VAT and excise duty arrangements are excluded. Moreover, the 'other specific hallmarks' h no longer trigger MDR reporting obligations, so only general and specific hallmarks remain reportable. The facilitator role has been eliminated and such entities may now qualify as promoters. The MDR-2 form and mandatory internal MDR procedures have been abolished.

A new written statement mechanism applies: a promoter performing supporting activities may request written confirmation from the commissioning promoter or user that the arrangement is not a reportable scheme. If no response is received within 7 days, the arrangement is presumed to be a reportable scheme.

Assess tax arrangements whether the MDR hallmarks are met and file the MDR reports where applicable.

Pillar Two

The Act on the top-up tax of constituent entities of multinational and domestic groups has entered into force on 1 January 2025, implementing the global minimum tax (Pillar II) in Poland.

The new regulations apply to international and domestic capital groups with consolidated annual revenue of at least EUR 750m in at least two out of four tax years immediately preceding the tax year under review. The global minimum tax payable is the difference between the 15% minimum rate and the effective tax rate ("ETR") calculated for a given jurisdiction. If ETR in the given jurisdiction is not less than 15%, no top-up tax arises. Real estate investment vehicles and investment entities may be excluded entities subject to conditions. The first GloBE information return and Qualified Domestic Minimum Top-up Tax return (if the group chose to apply the provisions in 2024) is due by 30 June 2026 and 30 September 2026, accordingly.

Confirm whether the group is subject to Pillar II and whether any obligations arise in Poland. Test whether any safe-harbours apply.

Planned tax changes

Some changes to the Polish tax provisions are currently being reviewed and have not yet been approved. It is not certain whether, or which of them, will ultimately come into force. They include i.a.:

- an increase in the CIT rate from 19% to 22% for taxpayers whose annual revenues for the previous tax year exceed EUR 50m, tax capital groups, and constituent entities of domestic or multinational groups within the meaning of the Polish Pillar Two legislation (groups with consolidated revenue of at least EUR 750m);
- the abolition of joint and several liability of co-owners under the real estate tax regime;
- additional limitations on the deductibility of debt financing costs relating to refinancing loans, consolidation loans and other similar indebtedness incurred thereafter, aimed at preventing the circumvention of existing restrictions through debt restructuring;

- a prohibition on retroactive changes to depreciation rates – a taxpayer would be able to increase or decrease a depreciation rate no later than the deadline for filing the annual tax return for a given tax year; The change aims at preventing ex post manipulation of tax-deductible costs;
- amendments to the tax on shifted profits provisions, including changes to the 3% threshold calculation and treatment of depreciation expenses.
- TP reporting simplification: the TPR may be signed by an authorised representative (including under a power of attorney), and the TP documentation statement will be incorporated into the local file (no need to file it separately).

The final wording of the changes and their effective date are not yet known.

Monitor the legislative process and assess the impact on tax obligations in 2027.

18 Portugal

Tax rates

The standard Corporate Income Tax (IRC) rate in Portugal is 19% for tax periods starting in 2026, decreasing to 18% in 2027 and 17% from 2028 onwards.

Small and medium-sized enterprises (SMEs) and Small Mid-Cap companies are eligible for a reduced IRC rate of 15% on the first EUR 50,000 of taxable income.

In addition, a municipal surtax (Derrama Municipal) of up to 1.5% may be levied on taxable profits, depending on the municipality. A state surtax (Derrama Estadual) also applies to taxable profits exceeding EUR 1.500.000, at progressive rates of 3%, 5% and 9%, depending on the applicable taxable profit thresholds.

Consequently, the overall corporate tax burden may exceed the standard IRC rate, as a result of the applicable municipal and state surtaxes.

Losses carried forward

The carry forward of tax losses is not subject to a time limitation (although carry back is not allowed). The deduction of tax losses is limited to 65% of the taxable profit of the year, with the possibility of carrying forward the remaining 35% to future years.

This rule has been in effect since tax years starting on or after 1 January 2023. It also applies to tax losses assessed in tax years prior to 1 January 2023, for which the period for deduction is still running. Tax losses assessed in 2020 and 2021 continue to benefit from an additional deduction of 10% against the taxable profit.

These losses can be used to offset net operating income and capital gains realised on the sale of property located in Portugal.

There is no need to request authorisation from the Ministry of Finance for the maintenance of tax losses in case of a change of ownership of more than 50% of the share capital or of the voting rights, as long as the operation does not have tax evasion as its main or one of its main purposes, e.g., when the operation is carried out for valid economic reasons.

Dividends distribution

Dividends distributed by Portuguese companies can be exempt from WHT under the application of the domestic participation exemption regime, if the following conditions are met:

- The Portuguese company is subject and not exempt from CIT and it is not subject to the tax transparency regime;
- The beneficial owner of the income is an entity resident i) in other EU member country, ii) in other EEA member country (provided such EEA member country is bound by an agreement for tax cooperation within the scope agreed within the EU), or iii) in a country that has a DTT concluded with Portugal that foresees the exchange of information;

- The beneficial owner is subject to and not exempt from a tax mentioned in the EU Parent-Subsidiary Directive, or a tax of a similar or identical nature to Portuguese CIT (for non-EU cases) and it cannot be 60% lower of the Portuguese CIT rate, i.e., currently, 11,4%;
- The entity that pays the dividends cannot be resident in a blacklisted jurisdiction;
- Minimum shareholding held for a consecutive period of one year; and
- Shareholding threshold of at least 10%.

This regime is applicable to both EU and non-EU residents. It should be confirmed that all the above-mentioned conditions are met before approving a dividend distribution, and that the recipient has provided the necessary tax residency certificate and any other supporting documentation required to apply the withholding tax exemption.

It should also be noted that, effective as of 1 January 2026, Hong Kong, Liechtenstein and Uruguay were removed from the Portuguese blacklist, with no additional jurisdictions being included in the list. Despite the above, the WHT exemption on dividends is not applicable in case of structures or constructions that are mainly or exclusively tax driven, i.e., aimed to reduce, defer or avoid taxation which would be due otherwise and do not have a business purpose or economic rationale.

Transfer pricing

All related-party transactions have to comply with the arm's length principle. Failure to present appropriate documentation to the Portuguese Tax Authorities may result in the challenging of such transactions and penalties for tax purposes.

Taxpayers with total revenues above EUR 10,000,000 (formerly EUR 3,000,000, for tax periods 2020 and earlier) with reference to the tax year to which the obligation concerns, are required to prepare and organize the transfer pricing documentation file.

Taxpayers with total revenues below EUR 10,000,000 are not required to prepare transfer pricing documentation in respect of transactions with related parties whose amount in the year concerned does not exceed, per entity, EUR 100,000, and EUR 500,000 in total, considering the respective market value.

The arm's length principle should be duly followed and documented. Taxpayers are only required to deliver the transfer pricing documentation upon request of the Portuguese Tax Authorities (exceptions apply to large taxpayers and taxpayers under the special tax regime of group taxation).

Interest capping rules

Net financial expenses (NFE)'s deduction is capped at the higher of a fixed cap of EUR 1,000,000 or a variable cap of 30% of the sum of the tax result (either profit or loss) plus NFE and allowed depreciation and amortisation of the year. This rule covers indebtedness with both related parties and independent parties, as well as between resident and non-resident entities.

The concept of NFE includes, among others, the depreciation or amortisation charge related to interest capitalised in the acquisition or construction cost of the assets.

The part of the NFE that is not deductible can be carried forward over a period of five tax years, as long as the capping is complied with. When the amount of the NFE considered CIT deductible is lower than the 30% cap, the immediate and successive carry forward of the unused limit is allowed to be added for the calculation of the 30% cap for the following five tax years, until the total amount is used.

It is possible to carry forward NFE that were not deducted in previous tax years in cases of a change in the ownership of more than 50% of the share capital or the majority of the voting rights of the taxpayer. This rule applies only if the transaction does not have tax evasion as its main or one of its main purposes, which happens if the transaction is conducted for valid economic reasons.

Cross-border financing

As a general rule, interest due or paid to non-resident entities is subject to WHT in Portugal. Reduced WHT rates may apply if the beneficiary can benefit from a DTT and a WHT full exemption may be available under the provisions of the Interest and Royalty Directive, provided that all the requirements foreseen in the directive are met.

Financing transactions is also subject to stamp duty, although certain exemptions may apply. Alternative financing structures can be arranged to mitigate the impact of WHT and/or stamp duty on cross-border financing.

It is advisable to conduct a thorough analysis of the tax implications of different financing options, e.g., equity, loans, bonds.

For interest from bonds/debt instruments held by non-resident investors (with the exception of certain "black-listed" jurisdictions), a WHT exemption is applicable and no Stamp Duty applies.

Real estate transfer taxes (IMT)

The acquisition of at least 75% of the share capital of a private limited company, general partnership, limited partnership (Portuguese Lda) or non-listed joint-stock company (Portuguese SA) which owns immovable property located in Portugal, is deemed to be an acquisition of the underlying immovable property, and therefore, subject to IMT.

This rule applies in case of companies whose assets consist of more than 50% of real estate located in Portugal. An exception applies in case the real estate is allocated to a commercial, industrial or agricultural activity (except real estate buy-sell activity).

It should be noted that, in its judgment of 4 June 2026 in the case Nova Iberomoldes – SGPS, S.A. v Autoridade Tributária e Aduaneira (C-837/24), the ECJ ruled that Portugal may not levy IMT on the contribution of shares in a real estate holding company where that contribution forms part of a restructuring transaction covered by Council Directive 2008/7/EC concerning indirect taxes on the raising of capital (the "Capital Duty Directive"). The judgment addresses the compatibility of the Portuguese IMT rules applicable to indirect transfers of real estate with the Capital Duty Directive. The decision may have implications beyond Portugal, as several EU Member States impose IMT on share deals involving real estate-rich companies. Accordingly, the compatibility of the Portuguese IMT rules with EU law should be assessed on a case-by-case basis where share acquisitions occur in the context of qualifying restructuring transactions.

Nonetheless, the acquisition of immovable property located in Portugal by companies resident or domiciled in a tax haven or companies that are directly or indirectly controlled by another entity resident or domiciled in a tax haven, according to the relevant "black-list", is always subject to a 10% rate, and not entitled to any applicable IMT exemption.

The acquisitions of residential property by non-residents may be subject to a flat 7.5% IMT rate. However, this surcharge does not apply where the purchaser is already tax resident in Portugal, becomes tax resident within two years of the acquisition, or allocates the property to residential leasing under specified affordability conditions.

Real estate municipal taxes (IMI)

IMI is due by the real estate owner on 31 December of each year (and paid in the following year). IMI rates range between 0.3% and 0.45%, for urban properties, and 0.8% for rural properties.

However, IMI rate will be 7.5% for real estate held by entities resident in a blacklisted jurisdiction, as well as to all immovable properties located in Portugal that are indirectly controlled by a company resident or domiciled in a blacklisted jurisdiction.

Municipalities can increase the IMI rate applicable to urban real estate properties, vacant for over a year, degraded buildings and land for construction intended for residential purposes, when located in designated areas of urban pressure. In this situation, the IMI rate can be increased ten times. An additional increase of 20% in each of the following years is also possible, however, it is capped at 20 times of the applicable IMI rate. Despite the above, the 20 times cap can be increased by (i) 50% in the case of residential urban building or unit.

In case a direct investment (i.e., asset deal) is completed before the end of 2026, it should be taken into consideration that the owner of the real estate is responsible for the payment of the amount for the entire year (and not only from the period after the real estate is acquired) on 31 December 2026.

Value-added tax (VAT) claw-back rules

In the case of recovery of input VAT related to the construction or acquisition of real estate, and where a subsequent VAT-exempt transaction is entered into (e.g. a VAT-exempt lease agreement), VAT claw-back rules are triggered, and thus a VAT adjustment may be required under the capital goods adjustment rules. Other situations may also trigger the VAT claw-back rules. If so, they all should be included in the December VAT periodical return (filed and paid by February of next year).

Under the VAT claw-back rules, it is also required to pay VAT back to the Revenue whenever real estate is vacant for a period of more than five years. However, in February 2018, the ECJ ruled that this rule is against the VAT Directives to the extent the taxpayer is able to demonstrate its intention to lease the property. Although the Portuguese legislation has not been changed to reflect this decision, companies can consider following such court decision.

Before year end, it should be verified whether the VAT claw-back rules will be triggered and, if so, the correspondent VAT adjustment should be paid back to the Revenue in February of the following year.

Capital gains

Capital gains realized by non-resident entities with the sale of shares in a Portuguese company whose assets are comprised in more than 50% by real estate located in Portugal, are subject to tax at 25% therein.

Are also liable to tax at 25% in Portugal the capital gains, whenever they result from the transfer of share capital or similar rights in any entity (non-resident in Portuguese territory) when, in any given time in the past 365 days, the value of those shares or rights result, directly or indirectly, in more than 50% of immovable property or rights in rem over immovable properties located in Portugal, excluding agricultural, industrial and commercial activities but not buy- sell of real estate.

It is recommended to explore structuring alternatives where you intend to sell shares in real estate companies or to reorganize your corporate structure.

Foreign Collective Investment Undertakings (CIV)

As a general rule, Portugal exempts dividends, rents and interest paid to Portuguese CIV from CIT. Distinctly, non-resident CIV operating in Portugal are subject to CIT (withheld at source) on their Portuguese-sourced income.

According to the ECJ case no C-545/19, there is a restriction to the free movement of capital if a Member State's tax law provides taxation to non-residents less favorably than to residents, as such treatment may deter non-resident entities from investing in that Member State.

Taking into account the merit of the referred ECJ case, foreign CIV may be able to claim an exemption from Portuguese taxation on income obtained in Portugal and request a refund of CIT supported in previous years.

More Housing (Mais Habitação) package 2026

On 20 May 2026, Decree-Law no. 97/2026 was published, approving a set of tax relief measures aimed at boosting the housing supply.

Investment Contracts for Leasing (CIA)

Investors may enter into CIAs with the Institute for Housing and Urban Rehabilitation (IHRU) for residential developments where at least 70% of the gross construction area is allocated to rental housing and rents are capped at EUR 2,300 per month. Eligible projects may benefit from several tax incentives, including IMT and Stamp Duty exemptions, IMI benefits, a reduced VAT rate on construction works, and reduction on the Stamp Duty rate for CIVs.

Simplified Affordable Leasing Regime (RSAA)

The new Affordable Rental Scheme (RSAA) replaces the former affordable lease programme and applies to residential lease and sublease agreements entered into by private or public landlords. To qualify, rents must not exceed 80% of the median rent published by the National Statistics Institute (INE) for the relevant municipality, and the agreements must have a minimum term of three years for permanent housing (or three months for temporary housing). Eligible agreements benefit from a full Personal Income Tax (IRS) and IRC exemption on rental income.

CIVs with assets allocated to the RSAA

CIVs with exposure to properties leased under the RSAA may benefit from a reduced 5% rate, while additional tax relief may apply on distributions, redemptions and liquidation proceeds through a partial exemption of up to 30%, depending on the proportion of the CIV's assets allocated to affordable rental housing.

Regime for partial restitution of VAT

Subject to the fulfilment of certain requirements, individuals who bear VAT at the standard rate on construction works for owner-occupied permanent housing (outside the scope of business activity), until 31 December 2032, may apply for reimbursement of the difference between the VAT paid and the VAT that would have resulted from application of the reduced rate.

Tax incentives for the construction, rehabilitation, sale and leasing of residential property

For IRS purposes:

- Capital gains exemption – Full exemption from taxation of capital gains generated on the transfer of residential property, provided that the proceeds are reinvested in the acquisition of properties intended for residential leasing with rents of up to EUR 2,300;
- Tax rate on residential rents – Rents up to EUR 2,300 arising from residential lease agreements benefit from a 10% taxation rate.

For IRC purposes:

- Partial inclusion of rental income – Only 50% of rental income from residential lease agreements with rents up to EUR 2,300 is considered for tax purposes.

For VAT purposes:

- Until 31 December 2032, subject to the fulfilment of a set of conditions, the reduced rate shall apply to construction or rehabilitation works on:
  - Properties intended for sale as owner-occupied permanent housing, or properties intended exclusively for residential letting, provided the sale price does not exceed EUR 660,982 or the monthly rent does not exceed EUR 2,300, respectively;
  - Urban buildings or their autonomous units intended for residential letting and covered by the regime for costs of general economic interest.

19 Romania

Exceeding borrowing cost capping rules

Interest deductibility is capped at EUR 1 million plus 30% of adjusted tax profits.

From 1 January 2024, exceeding borrowing costs with affiliates (which do not finance the acquisition/production of fixed assets under construction/assets) are limited to EUR 0.5 million, with exceptions for financial institutions.

Holding legislation

No specific holding regime, but participation exemption applies.

Dividends from Romanian subsidiaries are non-taxable; similar treatment for dividends from non-resident subsidiaries if holding conditions are met (e.g. minimum 10% stake held directly for at least one year).

Capital and liquidation gains may also be exempt if the above participation exemption criteria are fulfilled.

Withholding tax exemption

Standard WHT rate: 16% for external payments

Reduced rates possible under EU Directives or Double Tax Treaties (DTT), subject to documentation (i.e. a valid tax residency certificate or a statement of own responsibility in the case of applying the EU law indicating that it is the beneficial owner of the income which certified that certain specific conditions are fulfilled).

DTT/EU law provisions prevail if more favourable.

General anti-abuse rule (GAAR)

Substance over form principle: tax authorities may disregard or reclassify transactions lacking economic purpose.

Anti-base erosion, transfer pricing, and mandatory information exchange rules apply.

DAC6

Cross-border arrangement reporting is mandatory, with intermediaries bound by professional secrecy unless consent is given.

MLI

Romania has ratified the MLI, which may produce effects for most DTTs concluded by Romania.

Losses carried forward

From 2024, annual tax losses can be recovered up to 70% of taxable profits over five years.

The annual tax losses related to the years preceding the year 2024 follow similar rules, with a seven-year recovery period.

The recovery of the annual fiscal losses is made in order of their registration, at each payment term of profit tax.

Tax credits/avoidance of double taxation

Romanian taxpayers can credit foreign CIT/WHT against Romanian CIT if allowed by DTT, subject to specific conditions.

Tax prepayments

CIT is declared and paid quarterly, with annual reconciliation.

Standard CIT rate is 16%; some businesses have special rates (e.g. gambling activities, nightclubs and casinos, the tax due is 5% of the revenues).

Minimum turnover tax ("IMCA")

From 2024, companies with turnover over EUR 50 million pay the maximum between IMCA (0.5% of adjusted revenues) and CIT, whichever is higher. Starting with 1 January 2027, the minimum turnover tax will be eliminated.

Pillar 2 – Minimum global tax

From 2024, large groups (turnover > EUR 750 million) must ensure a 15% effective tax rate in Romania, or pay a top-up tax.

Accounting and fiscal period

Standard period is the calendar year, but companies can opt for a different fiscal year with notification.

Tax consolidation

The fiscal consolidation system for CIT has been included in Romanian legislation starting 1 January 2021.

Optional for Romanian legal entities; requires at least 75% ownership and a five-year commitment.

Tax incentives

Tax reductions starting with 2021 for maintaining/increasing equity (e.g. certain tax reduction between 2%–10% if a minimum level of equity is maintained or if equity is increased with a certain percentage) until 2025/the fiscal year that ends in 2026.

Exemption for reinvested profits in certain assets.

Depreciation methods for movable fixed assets

Buildings must be depreciated using only the straight-line method, with useful lives typically between 40 and 60 years. Machinery can be depreciated using the straight-line, reducing balance, or accelerated methods.

Revaluation of real estate property

Revaluation increases are taxable as assets are depreciated, sold, or written off.

Property taxes

Building tax rates depend on property type, and not revaluing non-residential buildings every five years leads to higher tax; land tax is a fixed amount set by local councils based on various factors.

Transfer pricing rules

Romanian transfer pricing rules, aligned with OECD principles, require related-party transactions to be at market value and properly documented; otherwise, tax adjustments and penalties may apply.

Construction tax

The construction tax, reinstated from 1 January 2025, applies to the value of constructions at specified rates (0.5%/0.25%) and must be paid in two instalments each year. Starting with 1 January 2027, the construction tax will be eliminated.

Transfer of business

For corporate income tax neutrality, domestic mergers, spin-offs, asset transfers, and share exchanges are generally aligned with cross-border rules, but neutrality applies if specific conditions are met.

Micro-company tax regime

The micro-enterprise tax regime is optional and applies to small companies meeting certain conditions (e.g. turnover less than EUR 100k per year, at least one employee), with turnover-based tax rates of 1%.

VAT treatment on immovable property

Romanian VAT rules exempt most real estate rentals and sales of old buildings or non-buildable land, but landlords can opt to tax rentals, and new buildings or building land are generally taxed at reduced or standard VAT rates depending on conditions; real estate investors must carefully assess the correct VAT treatment for each transaction.

VAT deduction right

Any taxable person registered for VAT purposes in Romania has the right to deduct the VAT related to its acquisitions of immovable properties, if such acquisitions are performed for the purposes of performing taxable transactions.

Input VAT adjustment for capital goods

Where the landlord/lessor does not opt to tax the rental fees/lease instalments, or to tax the sale of the immovables while the input VAT was deducted on acquisition/construction of the real estate property, VAT should be adjusted accordingly within the adjustment period of 20 years.

Opportunities and benefits of applying for a VAT exemption should be considered for sale or rent of real estate.

VAT transfer of business

Transfers of assets during mergers or spin-offs are generally VAT neutral if the beneficiary is a Romanian taxable person and certain conditions are met; real estate investors should ensure compliance with VAT rules for such transfers.

VAT refund

VAT refunds in Romania are generally processed after a tax audit, with deadlines that may be delayed in practice; both Romanian and foreign businesses can claim VAT refunds under specific EU or international rules if certain conditions are met.

Digitalisation measures

Certain mandatory digitalization measures have been implemented recently in Romania, such as SAF-T (Standard Audit File for Tax), RO e-factura (mandatory electronic invoicing), RO e-transport (mandatory monitorization of national and international transports) and the pre-filled in VAT returns.

Draft tax legislation

We note that as at 7 October 2025 there is a piece of draft legislation which brings significant changes both from a tax and legal perspective and we recommend to check the latest form of tax legislation in force when doing business in Romania.

20 Spain

Corporate income tax (CIT)

According to the Spanish CIT Act the standard tax rate is 25%.

Other rules such as the disallowance of real estate impairments, the definition of mere holding entities, the domestic-participation exemption regime, the restrictions on the utilisation of carry-forward tax losses, financial expenses capping-rule, etc. may be relevant for real estate investors. Taxpayers shall pay special attention to these rules as well as to the interpretation made by the Tax Authorities by means of binding tax rulings.

To be noted that the Spanish CIT Law shifted from a full domestic participation exemption regime to a 95% cap on domestic participation exemption for dividends and capital gains derived from the transfer of shares (foreign and domestic, including a Spanish tax group) for fiscal years starting after 1 January 2021. This would result in 1.25% effective tax for companies subject to the standard 25% CIT rate.

As well, new anti-hybrid rules came into force with effects from FY21 onwards.

It is recommended to analyse the impact that these rules may have in the investors' structures as well as the guidelines provided by the tax authorities.

CIT payments on account

According to CIT payments on account rules, the rate for payments on account for companies with a turnover of EUR 10 million or over is 24% and a minimum payment on account rate of 23% of accounting profits is applicable for companies which exceed this threshold.

We highly recommend planning when to carry out operations which generate tax-exempt income (distributions of dividends, sales of shares, etc.) as payments on account are made over these types of income (e.g., where FY follows the calendar year, it may be more efficient to make distributions in December).

Domestic withholding tax rate

Domestic withholding taxes applicable on dividends, interest and capital gains is 19%. It will be due unless an exemption or reduced rates are applicable to the case at hand, based on potential application of EU exemptions or Double Tax Treaties.

Tax losses carried forward

Tax losses (NOLs) may be carried forward with no time limitation. According to the CIT Law, NOLs generated by Spanish companies, if any, can only be used to offset up to 70% of tax adjusted income (with a EUR 1 million threshold that can be utilised in any event). However, if the company's turnover in the twelve preceding months is higher than EUR 20 million additional limitations apply (50% for companies with turnovers of at least EUR 20 million but below EUR 60 million, 25% for companies with turnovers of at least EUR 60 million).

These limits would not be applicable in the period in which the company is wound up and will be computed on a group basis under tax consolidation. With effect for the tax periods that begin in 2023, when aggregating the individual tax bases in order to calculate the tax group base (under tax consolidation), only 50% of the negative tax bases will be computed (new temporary measure). The 50% of non-utilized tax bases will be recaptured on a straight-line basis during the following 10 years starting as from 2024 (to note that the same rule has been implemented for FYs 24 and 25). Although this temporary limitation has not been yet formally approved for FY26, it is expected it will be extended also for such FY.

Transfer pricing

Related party transactions must be arm's length. Generally, taxpayers are obliged to prepare transfer pricing documentation for transactions exceeding certain thresholds. Failure to comply with the documentation obligations may result in penalties being imposed. In addition, it must be noted that tax form No 232 must be filed to declare transactions carried out between related parties.

This tax form must be filed during the month following the ten months after the end of the tax period which the information to be provided refers to. That is, for fiscal years ending 31 December 2024 the tax return should be filed between 1 November and 30 November 2025.

Prepare a transfer pricing study covering the relevant transactions carried out with related parties in the period in accordance with the applicable regulations. File the tax form 232 in November.

Country-by-country report (CbCR)

From 2016 certain entities are required to file a country-by-country report (CbCR). The report should be filed electronically and should contain aggregate information in Euros relating to the tax year of the controlling company of the group and with respect to each country or jurisdiction in which the group operates.

This CbCR must be filed electronically through the tax form No 231 within 12 months of the end of every tax period. Note that, unlike the master file and local file that will need to be 'at the disposal' of the tax administration, the CbCR has to be filed every year.

We recommend analysing if the CbCR obligation is applicable and prepare the relevant report, if necessary, in accordance with the applicable regulations.

Residence certificates

Withholding tax exemptions and reduced treaty rates must be supported with the relevant residence certificates validly issued by the corresponding tax authorities in a timely manner. This is especially relevant for interest, dividends and management fees.

On the other hand, withholding tax exemptions based on the EU residence of the payment's recipients should be reviewed from a beneficial owner perspective, considering the most recent EU and Spanish case law in this respect.

Request and collect the corresponding residence certificates.

Real estate investment trust

A special corporate income tax regime, namely a 0% tax rate, is granted for Spanish REITs (SOCIMI) subject to a number of requirements. Should they not be respected, the tax regime may be lost together with a three-year ban to be imposed.

To be noted that the SOCIMI regime was amended. From 2021 onwards, profits obtained in the year that are not distributed will be subject to 15% special tax (through Form 237), insofar as they derive from income that has been taxed at 0% rate and not qualifying for the reinvestment period.

Review the compliance of the REIT requirements, in particular the asset and income tests and dividends distributions obligations.

Value-added tax (VAT)

Large companies (whose turnover for the prior year will have exceeded EUR 6m) and any other companies which file monthly VAT returns are required to provide their invoicing records and VAT books for issued and received invoices to the Spanish tax authorities in real time. It must be noted that this obligation, which implies that companies will need to adapt their accounting and invoicing systems, accordingly, has multiplied the information, which the Spanish tax authorities have access to.

Business Activity Tax (BAT)

BAT is an annual tax payable depending on the specific business activity carried out. The turnover of the company may be relevant for exemption purposes.

Indeed, entities with a turnover of less than one million euros are exempted from BAT purposes. As per an amendment of the Spanish regulation, as of 2022, it would be considered the turnover of the group companies (only Spanish companies) regardless of the accounting consolidation obligation.

Review of the BAT position for Spanish companies belonging to a corporate group is advisable.

Real Estate Transfer Tax (RETT) and Stamp Duty

A new value to be determined by the Tax Administration will be considered for the calculation of the taxable base in real estate transactions for RETT and Stamp Duty purposes (so-called “cadastral reference value”). In this regard, as of 2022, said value is considered as the minimum value for tax purposes (taxable base) in case that the price agreed in the transaction would be lower.

We recommend monitoring the assignment of a reference value for the properties located in Spain to properly determine the taxable base for RETT and Stamp Duty purposes. In particular, this should be checked in advance of any acquisition.

Solidarity Tax and Net Wealth Tax

By the end of 2022 a new Solidarity Tax on Large Fortunes and some amendments on the existing Net Wealth Tax (NWT) were passed in Spain. According to the amendments included in the NWT, regarding non-resident taxpayers (individuals) subject to NWT, securities representing holdings in the equity of entities, not traded on organized markets, would be deemed to be located in Spain where at least 50% of their assets, directly or indirectly, consist of property located in said territory.

On the other hand, the new Solidarity Tax on Large Fortunes is very similar to the NWT and it is shaped as a supplementary tax to the NWT for taxpayers with a net worth higher than EUR 3 million. In this respect, generally the main purpose of this new tax is to limit the 100% exemption on the NTW applicable in certain Autonomous Regions (for instance, Madrid).

Finally, it must be noted that, notwithstanding the above, certain double tax treaties could prevent Spain from applying these taxes.

Based on the above, non-resident individuals which could directly or indirectly hold Spanish properties should analyze if these new rules could impact them.

21 Sweden

Corporate Tax Rate

Resident legal entities are liable for tax on their worldwide income unless tax treaties or special exemptions apply. Non-resident entities are taxed on income that is deemed to have its source within Sweden. All income of corporate entities is treated as business income. The corporate tax rate is 20.6%.

Limitation on deductions for capital losses

The deduction of capital losses on real property is limited to capital gains from real property. Companies that incur capital losses on the sale of real property therefore cannot deduct those losses against income from other sources. However, the losses may be transferred within a consolidated group. Capital losses on real property may be carried forward indefinitely if they are not utilised.

If capital losses on real property are to be deducted, ensure that capital gains on real property exist in the same fiscal year. Carry forward possibilities do exist.

Group taxation

To benefit from Swedish group consolidation for tax purposes, the companies giving and receiving the group contribution must have been part of the same group (i.e., exceeding 90% ownership requirement) for the entire fiscal year. Notwithstanding this, newly started businesses and off-the-shelf companies can exchange group contributions with other Swedish group companies from the day they commence conducting business.

Ensure that any acquisition is completed before the end of the current fiscal year to benefit from the group contribution rules in the following fiscal year. As group contributions must be recognised in the accounts, make sure to discuss the available options before closing the accounts.

Tax losses carried forward

Mergers and acquisitions that imply a change of control over a company (even if the indirect ownership does not change) can limit the ability to utilise tax losses carried forward in subsequent years. Tax losses from the year preceding the change of control may be forfeited and/or subject to time restrictions. Exemptions may apply if the companies were part of the same group both before and after the acquisition or reorganisation.

For ownership changes occurring after 31 December 2024, the maximum amount of tax losses that can be carried forward has been raised from 200% to 300% of the acquisition cost. For ownership changes that occurred on or before 31 December 2024, the previous 200% threshold continues to apply.

Verify if any limitations are applicable in the specific case and be cautious in cases where tax losses carried forward are utilized against group contributions received, as group contribution deductions may be restricted for up to six years.

Tax allocation reserve

Companies can defer tax payments for up to six years on 25% of their annual profit by means of a tax allocation reserve. This can improve liquidity and offset occasional annual losses, since the latent tax liability can be used against future losses over the following six years. Companies using this reserve are taxed annually on notional income/interest. The income/interest is calculated by multiplying the reserve by the government borrowing rate at the end of November of the preceding year. However, for the purpose of this calculation, the rate can never be lower than 0.5%. The rate for November 2025 was 2.55%, which is the rate to be used for the 2026 tax year. Each year's appropriation forms a separate reserve that must be reversed to income no later than the sixth fiscal year after the year in which it was set aside.

Review cash flow models and profit forecasts to determine the optimal allocations. If a tax allocation reserve is to be utilised, make sure to include it before closing the books for the current fiscal year, since the reserves must be recognised in the accounts. Following the reduction in the tax rate in 2021, any reversal attributable to reserves made after FY 2018 but before FY 2021 must be increased to 104% of the nominal amount.

Capitalisation of investments

Investments in a property can be allocated to either building, building equipment or land improvements. Depending on the classification, the depreciation rate varies significantly. In addition, in some cases it may be possible to deduct the entire investment cost directly for tax purposes if the investment is considered a tenant improvement. Accordingly, there is often an opportunity to identify what the investment cost relates to in order to obtain an appropriate and faster depreciation plan than would be available if investments were capitalised only as part of the building. The tax treatment in this area does not always need to follow the accounting treatment, so it can be beneficial to analyse the possibility of deducting costs directly for tax purposes when the investments are capitalised in the accounts.

A so-called primary deduction applies to all rental buildings (residential and commercial) for costs incurred in new construction, additions to existing buildings and the reconstruction of buildings. For these costs, an additional depreciation deduction totalling 12% may be made during the first six years after the construction work is completed. If a rental building is acquired through an asset deal within six years of completion, the purchaser may claim a primary deduction for the remaining part of the six-year period, calculated on the basis of the acquisition cost. However, the right to the primary deduction can only be acquired for costs incurred in new construction, not for costs attributable to additions to or reconstructions of existing rental buildings.

Carefully consider the types of investments made, the asset categories to which they should be allocated, and the corresponding depreciation and deductions available.

Removed government support for onshore wind turbines

As of 1 January 2026, the government has removed previous support for certain onshore wind turbines that were only subject to a 0.2% property tax. All onshore turbines are now subject to a 0.5% property tax.

Transition from K2 to K3 accounting

In June 2025, the Swedish Accounting Standards Board decided on new rules, applicable to financial years beginning after 31 December 2025, under which several categories of companies may no longer apply the simplified K2 framework and must instead apply K3. A real estate company whose buildings generate at least 75% of its net turnover (e.g. from the rental of residential or commercial premises) must transition to K3 unless the company qualifies for an exemption. Companies with a material deferred tax liability are also required to transition.

Under K3, buildings must be divided into significant components, and each component must be depreciated separately. This component depreciation approach replaces the simplified building depreciation permitted under K2 and may result in materially different depreciation profiles.

Note that companies that are part of a group with consolidated accounts under IFRS may instead apply RFR 2, which currently contains an exemption from component depreciation. The Swedish Corporate Reporting Board has decided to review this exemption no earlier than autumn 2027, partly because of an initiative to amend the Annual Accounts Act to allow investment properties to be measured at fair value in the legal entity.

Real estate companies within scope must, for the first financial year beginning after 31 December 2025, prepare an opening balance sheet under K3 and recognise any deferred tax liability arising from the difference between a property's carrying amount and its tax value. Companies within an IFRS group applying RFR 2 should monitor the review of the component depreciation exemption from autumn 2027.

Stamp duty

Stamp duty is the tax payable when purchasing real property or a plot of land. For legal entities, the tax rate is 4.25%, and for private individuals it is 1.5%, calculated on the higher of the purchase price and the previous year's tax assessment value. However, stamp duty can be added to the purchase price to form part of the asset's cost base and can therefore be treated as an asset rather than an expense. Stamp duty on intra-group transfers of real estate may be deferred upon application for as long as the property remains within the group.

If the real property was acquired during the review period, check whether the stamp duty cost has been capitalised and, if so, verify that the cost is correctly allocated across asset categories in the tax depreciation schedules. If a duty deferral is in place, an exit from the group triggers the deferred stamp duty.

Real estate packaging

A direct sale of real property generally triggers corporate income tax on capital gain and stamp duty. By contrast, a transfer of shares qualifying as business-related participation is generally exempt from both tax and stamp duty. It may therefore be worth considering whether the property can be transferred at an undervalue to a newly formed subsidiary (NewCo), followed by an external sale of the subsidiary's shares.

For the transfer to succeed, both parties must be liable to Swedish business income tax, the NewCo must have no tax losses carried forward, and no group contribution-blocked losses within the group. A single property qualifies as a business branch under established Swedish case law, meaning the transfer can proceed even without a group contribution relationship. The subsidiary's formation, the property transfer, and the external share sale should all occur within the same fiscal year.

Because the NewCo assumes a latent tax liability on the difference between the agreed property value and the tax residual value, the buyer typically receives a negotiated discount (approximately 5% of the latent capital gain).

Consider whether packaging the property in a subsidiary is commercially viable, as corporate tax and stamp duty savings may be significant. Make sure to calculate the latent tax discount and confirm that the acquisition cost allocation between land and building is correctly based on the current year's assessed values.

Limitation of interest deduction

Sweden has two interest deduction limitation rules:

1. A strict deductibility limitation on interest expenses on loans to affiliated companies but with explicit exemption (the 'Targeted Rule').
2. A general rule for so-called negative net interest (the 'General Rule').

Under the Targeted Rule, interest expenses paid to a group company are deductible only under certain circumstances relating to the final recipient of the interest. From 1 January 2026, a less stringent test applies to intra-group loans where the recipient resides in another EEA country. The previous conditions continue to apply where the recipient is resident in Sweden or outside the EEA.

The general interest deduction limitation rule applies to both internal and external loans, and the right to deduct any negative net interest is determined under either an EBITDA rule or a simplification ('Safe Harbour') rule. Under the EBITDA rule, a company's negative net interest is deductible up to 30% of its tax-adjusted EBITDA. Negative net interest exceeding 30% of the tax-adjusted EBITDA may be carried forward for up to six tax years. Amounts not deducted within that period are forfeited. The Safe Harbour rule permits a deduction for negative net interest of up to SEK 5 million. For affiliated companies, the total deductions for negative net interest may not exceed SEK 5 million if any of the companies makes use of this rule.

A government investigation proposed increasing the Safe Harbour cap from SEK 5 million to SEK 25 million and abolishing the current six-year time limit on carry-forward of non-deductible negative net interest, while also introducing a group-wide calculation of the deduction basis. The proposals were not enacted in this legislative cycle, but similar changes might come to pass in the future.

To optimise interest deductions, the company's interest deduction position should be reviewed before the accounts are closed. Tax optimisation should be coordinated with the review of tax losses carried forward, group contributions, tax depreciation, etc.

Withholding Tax rules

Dividends paid by Swedish companies to non-resident shareholders are subject to withholding tax at 30%. The rate may be reduced under an applicable double tax treaty, either through relief at source or by a refund application.

In 2022, new rules for withholding tax on dividends were proposed. The rules were intended to apply to dividend payments to non-Swedish tax residents receiving dividends on shares issued by Swedish companies. The proposed tax rate remained 30%, but it could be reduced either through relief at source or by means of a refund application. Where a double tax treaty applies, it would also remain possible to reduce the tax rate.

There are several differences between the current legislation and the proposed changes. The most significant are that applying a reduced tax rate at source would require detailed information about the beneficiary, and that a so-called "approved intermediary" could assume responsibility for withholding, reporting and paying withholding tax on dividends from the issuer. Furthermore, withholding tax on dividends would also be subject to the provisions of the Tax Avoidance Act (Sw. Skatteflyktslagen).

The proposed changes were put on hold pending the EU FASTER Directive, which was adopted on 10 December 2024. In January 2026, the government appointed a special inquiry to implement FASTER and modernise the Swedish withholding tax rules, taking earlier preparatory work into account. The inquiry will present its proposals no later than 13 August 2027. FASTER must be implemented by 31 December 2028 and will apply from 1 January 2030. Financing transactions are also subject to stamp duty, although certain exemptions may apply. Alternative financing structures can be arranged to mitigate the impact of withholding tax and/or stamp duty on cross-border financing.

VAT on real estate

The standard VAT rate in Sweden is 25%, which applies when selling goods and services in Sweden. Various types of goods and services are, however, VAT exempt.

Letting real estate is generally exempt from VAT. However, commercial premises may be let subject to optional VAT liability, provided that the tenant conducts VATable business activities and the lease is long-term (typically at least one year). Residential letting is always VAT-exempt and input VAT on residential construction costs is not deductible. For mixed-use properties, input VAT is deductible on a pro rata basis. If the VATable share exceeds 95%, all input VAT may be deducted.

Input VAT on construction of commercial premises may be deducted retroactively once VATable letting commences, provided this occurs within three years of the calendar year the construction was completed. Alternatively, the owner may apply to the Swedish Tax Agency for optional VAT liability during the construction phase, allowing ongoing deduction and avoiding the associated liquidity strain.

Monitor changes in VATable use during the ten-year adjustment period and adjust VAT if the change exceeds five percentage points. On a property sale, issue a VAT adjustment document; on a share sale, confirm that the obligation and supporting documentation remain with the company.

22 Turkey

Corporate tax

Resident companies in Turkey are subject to corporation tax on their worldwide income. The standard corporate tax rate is 25%. For financial sector companies (including Capital Market Board entities), the CIT rate is 30%. On the other hand, 5% discount (capped with TRY12 million for 2026) is provided to the compliant taxpayers (who submit their tax returns on time, and have no outstanding tax liability, etc.). Corporate income tax law states exemptions which can be beneficially utilized by corporations (upon meeting certain conditions), such as dividend income received from resident or non-resident companies, earnings of corporations derived from their foreign establishments of representatives, 25% of capital gains derived from the sale of property (for the properties acquired before 15 July 2023) or 50% of participation shares which are held by corporations for more than two years.

CIT deadline is 30th of April of the following year.

Domestic Minimum CIT regime

Turkish Parliament introduced a domestic minimum tax regime that aims to ensure the corporate tax is not less than 10% of corporate income before certain exemptions and deductions. Under this rule, the corporate taxpayers will compute their tax liability under both the standard regime (i.e. 25% tax on taxable income after deductions and exemptions) and under a parallel regime (i.e. 10% tax on taxable income before certain deductions and exemptions). The larger amount is then payable.

The domestic minimum tax regime is applied to fiscal years starting from 1 January 2025. Earnings from immovables of REICs and REIFs will not be regarded as exemption from the minimum CIT base. Domestic minimum CIT is also declared on the related CIT return.

Profit Distribution Rule on REICs and REIFs

Earnings of REICs and REIFs are exempt from general CIT if the half of the earnings stemming from immovables is distributed to the shareholders until the end of the second month following the declaration of CIT Return. Otherwise, the total income shall be subject to 30% CIT.

Corresponding profit should be distributed until the 30th of June of the following year.

Transfer pricing

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, the parties should follow the arm's length principle. Transfer pricing regulations stipulate documentation requirements for taxpayers, who should complete the transfer pricing form every year and submit it as an appendix with the corporate tax returns. Taxpayers are also required to prepare an annual transfer pricing report including supporting documents for their international and/or domestic related-party transactions. Furthermore, OECD's Base Erosion and Profit Shifting Action Plan ("BEPS Action Plan") documentation requirements are introduced. The recommended three-layered documentation model outlined in BEPS Action 13 is being integrated to the Turkish transfer pricing regulations. Accordingly, master file preparation, annual transfer pricing report preparation and country-by-country report (CbCR) filing, which is to be submitted electronically, are applicable for entities operating in Turkey, along with notification submissions to the tax authorities.

Thin capitalization rule

If the ratio of the borrowings from related parties exceeds 3 times the shareholders' equity of the borrower company, the exceeding portion of the borrowing will be considered as thin capital. Interest and other payments relating to thin capital and the related foreign exchange losses are non-deductible expenses while calculating the corporate tax base. For loans received from related party banks or financial institutions that provide lending also to third parties, the debt/equity ratio will be considered 1/6 instead of 1/3. The shareholders' equity represents the total shareholders' equity at the beginning of the given fiscal year.

A thin capitalization analysis should be made by the taxpayer before the end of each year.

Controlled foreign company (CFC)

Corporations that are established abroad and are at least 50% controlled directly or indirectly by tax resident companies are considered controlled foreign companies when certain requirements are met, such as being subject to an effective income tax rate lower than 10% in its home country, having a gross revenue more than TRY 100,000 in the related period and having passive income (at least 25% of gross revenue). CFC profits would be included in the corporate income tax base of the controlling resident corporation irrespective of whether it is distributed or not.

Depreciation

Interest and foreign exchange costs regarding the financing of fixed assets should be added to the cost of fixed assets until the end of the year in which assets are taken into account. The depreciation method should be selected for the fixed assets which are purchased in the related year.

Foreign currency revaluation

Assets and liabilities denominated in foreign currency are revalued at year end and each quarter based on the exchange rates announced by the Ministry of Finance.

Doubtful receivables

Receivables which are relevant to the acquisition of commercial income and at the litigation stage or administrative action can be written as doubtful receivables in the year that the litigation process started. Provisions may be accounted for the doubtful receivable at the disposable value on the day of valuation. Receivables lower than TRY 25,000 (for FY25) can be written as doubtful receivables without litigation process if they are requested more than one time via mail, etc.

Bad debts

Account receivable whose collection is no longer possible, based either upon a judicial decision or upon other substantiated documents can be considered as bad debt. The bad debt amount can be regarded as an expense item in the related period. Furthermore, the legislation provides for VAT relief for uncollectable receivables that become worthless in accordance with the above-mentioned regulation.

It should be determined whether the conditions are met.

Title deed fee

Title deed fee is calculated according to the 'Fee Law' for the transactions concluded at the title deed registry such as property buying/selling, registration of rental contract, annotations of any transaction made at registry etc. At the time of acquisition, title deed fee at the rate of 2% is applicable over the sales price for buyer and seller separately.

Fee has to be paid to the tax office before the transaction is made at the registrar.

Value-added tax (VAT) rate for the residential units

The determination of the VAT rate to be applied (1%, 10% or 20%) on the deliveries of houses starting from the year 2013 will vary based on several different factors such as; Building license obtaining date, Construction class of the building, square meters of the house, etc.

For the units with the building license obtaining date is after 1 April 2022; parts which is up to 150m^2 of the residences will be subject to 10% VAT, exceeding part of 150m^2 will be subject to 20% VAT.

Furthermore, the VAT Law provides VAT exemptions for deliveries to non-resident individuals with valid work and residence permits, as well as Turkish citizens who work abroad for more than six months. This exemption is applicable for the first sale of new buildings built as residences or workplaces. Additionally, foreign currency should be brought to Turkey for this purpose. Please also note that there are other certain conditions to be fulfilled for the application of the exemption.

Starting from 1 January 2030, the deferred VAT shall be subject to 5-year statute of limitation.

Stamp tax

Stamp tax applies to a wide range of documents, including but not limited to agreements, financial statements and payrolls. Agreement that states a monetary value is subject to stamp tax at a general rate of 0.948%. Lease contracts are subject to stamp tax at a rate of 0.189% of the rental amount. Stamp duty rate to be applied on some agreements, which are specifically related to the real estate industry, is 0% (zero); such as officially drafted construction agreements on flat for land basis or revenue sharing etc.

Stamp tax is capped at TRY 29.115.961,10 (subject to annual revaluation) for the year 20256 All signatory parties are jointly held liable for the stamp tax payment.

Resource utilization support fund (RUSF) rates

RUSF rates are to be applied on foreign loans obtained by Turkish resident individuals or legal entities (except for banks or financial institutions) in terms of foreign currency or gold (except for fiduciary transactions) was restructured based on the average maturities as follows:

- 3% on the principal if the average maturity period of the foreign currency credit does not exceed one year.
- 1% on the principal if the average maturity period of the foreign currency credit which is between one and two years.
- 0.5% on the principal if the average maturity period of the foreign currency credit which is between two and three years.
- 0% on the principal if the average maturity period of the foreign currency credit over three years.
- 1% on the interest amount if the average maturity period of the foreign loan denominated in Turkish Liras does not exceed one year.
- 0% on the interest amount if the average maturity period of the foreign loan denominated in Turkish Liras which is over one year

Financial expense restriction

As per the rule concerned the limitation on financial expenses applies only in situations where the amount of external financing of the taxpayer exceeds the taxpayer's equity. The non-deductible portion of the financial expenses is capped at 10%. Credit institutions, financial institutions, financial leasing companies, factoring companies and financing companies are excluded from the application of financial expense restriction. Restrictions shall not apply to interest rates and similar payments added to investment costs.

Deemed interest deduction on cash injection as capital

According to the arrangement Turkish resident companies (except for those that operate in banking, finance and insurance sectors and public enterprises) would be able to benefit from a deemed interest deduction that is equal to 50% (re- determined between 0%–100% for various situations) of the interest calculated on the cash capital increase in the registered capital of the existing corporations or cash capital contributions of the newly incorporated corporations based on the average interest rate by the Central Bank of Turkey for TRY denominated commercial loans, from their corporate tax base of the relevant year.

Companies can benefit from a deemed interest deduction for the year of cash injection and following four years. Certain companies operating in real estate industry, especially the ones earning rental income and making land investments may not utilize the above-mentioned interest deductions.

Revaluation of fixed assets

Taxpayers are allowed to revaluate their fixed assets with the purchase price index increase in the related period and calculate a higher depreciation expense.

Pillar Two

Similar to the OECD Model Rules and the Pillar Two Directive, the Turkish Pillar 2 legislation will apply to constituent entities that are members of a multinational enterprise group that has annual revenue of Turkish equivalent of EUR 750 million or more in the consolidated financial statements of the ultimate parent company in at least two of the four fiscal years immediately preceding the tested fiscal year.

In general, the Turkish Pillar Two provisions do not differ significantly from the EU Minimum Tax Directive. Very briefly, the Turkish Pillar Two regulations introduce the global minimum top-up taxation rules by providing for the main interlocking measures, i.e. the Income Inclusion Rule (IIR) and the Undertaxed Payment Rule (UTPR) as well as a Qualifying Domestic Top-Up Tax (QDMTT) under the safe-harbor OECD standards.

The new rules are effective for fiscal years starting from 1 January 2024, except for the UTPR provisions which apply to fiscal years starting from 1 January 2025.

23 United Kingdom

Non-UK resident companies are within the charge to corporation tax on UK property rental income, and the period of assessment under corporation tax will usually be the same as the company's accounting period unless that period exceeds 12 months. Non-resident companies are also within the charge to corporation tax on direct and certain indirect disposals of UK property. Where such companies are not otherwise within the charge to corporation tax (e.g. because they do not have any rental income), this may result in a one-day period of assessment.

Non-resident investors which are not companies are required to submit a UK income tax return for the fiscal year which runs from 6 April to 5 April, which is unlikely to correlate with the company's accounting period. This guide deals with the position for companies only.

For companies, it is important that the following issues are considered in relation to existing investments in UK real estate on at least an annual basis.

The main rate of corporation tax is currently 25% on profits over GBP 250,000.

Rental income subject to corporation tax

As noted above, non-UK resident companies are within the charge to corporation tax on UK property rental income. Withholding at the basic rate of income tax (20%) may apply to rent receipts unless the company is registered with the UK tax authority as a 'non-resident landlord'. The non-UK corporate landlord (even if tax is withheld at source) is subject to UK corporation tax filing and payment rules, which may include the quarterly instalment payments (QIPs) regime, depending on the level of taxable profits and the number of associated companies. Also, there are group relief provisions in respect of profits/losses of such non-UK tax resident companies that fall within the charge to corporation tax.

The loss restriction limits to 50% the amount of profit against which brought forward losses in excess of GBP 5 million can be offset.

For property investors, there is no ability to carry back property business losses and offset these against taxable income in earlier accounting periods.

Financing costs

In calculating the profits subject to corporation tax for non-resident companies with a UK property business, this will include debits/credits in relation to loans or derivative contracts which the company is party to for the purposes of that business.

Shareholder financing in relation to a UK property investment business should be provided on arm's length terms to comply with the UK transfer pricing rules in order to be tax deductible (in addition to the restrictions referred to below). The rules were reformed from 1 January 2026, including for financial transactions, guarantees and implicit group support; transitional provisions apply to certain pre-2026 borrowing.

Support for the level of shareholder financing and the terms on which this financing is provided should be retained. It should be considered what support is available for the shareholder financing for each UK property investment.

The 'corporate interest restriction' (CIR) rules generally restrict finance cost deductions to 30% of tax-EBITDA under the fixed ratio method, subject also to the fixed ratio debt cap by reference to the worldwide group's net interest expense.

There are some options under the CIR rules which may provide for a better result than the basic rules above:

- Each group can use a GBP 2 million de minimis per 12 month period
- A group may elect to use an alternative group ratio; or
- A company within a group may elect to use the public infrastructure exemption.

The latter two are normally considered where external debt financing exceeds the GBP 2 million de minimis and 30% EBITDA threshold. However, there are certain conditions to be met, they will not always provide a better result and the outcomes can be affected by commercial arrangements such as guarantees or other financial support over the debt. For periods ending on or after 31 March 2026, CIR reporting-company and return requirements have also been simplified, including appointment for each period and more limited circumstances in which a group-appointed reporting company must file a return.

There are other ways in which interest deductions can be restricted. These include:

- The hybrid mismatch rules can deny interest (and other expenses) relief where a deduction/non-inclusion result or double deduction for the same expense as a result of using hybrid entities or instruments;
- Reclassification of interest as a distribution where the debt has certain equity characteristics; and
- Denial of relief where a loan relationship of a company has an 'unallowable' purpose (broadly, a purpose that is not within the business or commercial purposes of the company).

Capital allowances

Capital allowances are the mechanism under which tax relief is obtained for capital expenditure. Allowances are available for capital expenditure on plant and machinery in UK properties at 14% per annum on a reducing balance basis for main rate expenditure (18% before 1 April 2026, with a hybrid rate applying to chargeable periods straddling that date), or 6% for special rate expenditure such as integral features (unless more generous first-year allowances are available, see further below). Providing certain requirements are met, relief is also available at 3% per annum on a straight line basis for the cost of the construction, conversion and renovation of certain buildings ('Structures and Buildings Allowance').

Companies investing in qualifying new plant and machinery may benefit from 100% full expensing for main rate assets and a 50% first-year allowance for qualifying special rate (including long life) assets. A permanent 40% first-year allowance is also available for qualifying new and unused main rate expenditure incurred on or after 1 January 2026 and, unlike full expensing, can apply to certain assets acquired for leasing, subject to detailed conditions.

Companies are also entitled to an annual 100% allowance for investment in most plant and machinery up to the annual limit of GBP 1 million per annum (AIA). One AIA is available per company or group of companies if relevant.

Each UK property investment should be reviewed to ensure the maximum entitlement to capital allowances is being claimed, and that the relevant data is being captured.

Disposals by non-residents

UK tax is charged on capital gains made by non-residents on direct and certain indirect disposals of all types of UK immovable property.

The indirect disposal rules apply where a person makes a disposal of a company (or an entity deemed to be a company) in which it has at least a 25% interest where that entity derives 75% or more of its gross asset value from UK land. Where the disposal is of an interest in certain collective investment vehicles (which includes certain holdings in UK REITs and PAIFs), the 25% interest requirement is disapplied so that non-residents making disposals of interests in these vehicles do not have to have a stake of 25% or more to fall within the charge, or, in certain limited circumstances, replaced with a 10% threshold. The 25% ownership test applies where the person holds at the date of disposal, or has held within two years prior to disposal, a 25% or more interest in the property-rich company. This holding may be directly, or through a series of other entities, or via connected persons.

The 75% 'property richness' test looks at the gross assets of the entity being disposed of. Where a number of entities are disposed of in one arrangement and certain other conditions are met, their assets will be aggregated to establish whether the 75% test is met.

The gain or loss is generally calculated using the market value of the asset as at April 2019 but there is an option to calculate the gain or loss on a disposal using the original acquisition cost of the asset. The April 2015 value replaces the April 2019 value in the case of direct disposals of UK residential property that would previously have been within the charge to UK tax prior to 6 April 2019. Where the option to use the original acquisition cost is taken in the case of an indirect disposal, and this results in a loss, this will not be an allowable loss.

There is a trading exemption, so that disposals of interests in property-rich entities where, broadly, at least 90% of the UK land (by value) is used in a qualifying trade are excluded from the charge, and existing reliefs and exemptions available for capital gains continue to be available to non-UK residents, with modifications where necessary. Those who are exempt from capital gains for reasons other than being non-UK resident continue to be exempt (for example, overseas pension schemes).

In addition, the provisions of any relevant double tax treaty need to be considered.

Losses arising to non-UK residents under the rules are available. However, the offset by companies of carried forward capital losses is limited to 50% only of the capital gains arising in a later accounting period, subject to a GBP 5 million de minimis applied on a group basis (which includes income losses).

It may be possible for a group company to elect for gains (or losses) to be treated as arising in another group company. This can impact on the ability to offset gains and losses and also the date on which any tax is due. The election must be made within 2 years of the end of the period of assessment/accounting period in which the gain arises.

Accounting changes

A non-resident company is required to calculate the profits of its UK property rental business in accordance with UK GAAP if it does not already prepare accounts under UK GAAP or IFRS. Otherwise, the company's UK GAAP or IFRS accounts are used to calculate the profits of the UK property rental business.

FRS 102 Periodic Review 2024 amendments apply principally for accounting periods beginning on or after 1 January 2026, including significant changes to lessee accounting, revenue recognition and fair value measurement. Investors using UK GAAP should consider the consequential UK tax implications.

02

Asia Pacific

1 Australia

Managed Investment Trust (MIT)

Tax on distribution of trust income to non-residents

Broadly, trusts may qualify as MITs if they have a "widely held" investor portfolio and do not undertake trading businesses. Trusts that meet these requirements are eligible for a concessional 15% final withholding tax rate (10% for a "clean building MIT") on MIT fund payments to residents of exchange of information (EOI) countries, or 30% for residents of non-EOI countries.

From the 2026 income year onwards, MITs with total business income above AUD 250 million must also lodge the Reportable Tax Position (RTP) schedule disclosing contestable and material tax positions, which represents a heightened tax compliance obligation imposed on MITs.

MIT eligibility remains an ongoing area of ATO focus and taxpayers should undertake a MIT health check process prior to the first distribution of each year and prior to year-end, or for any significant changes in business plans.

Build-to-Rent (BTR) measures

The 15% MIT concessional tax rate (historically not available to residential assets) has been extended to eligible BTR developments to address Australia's housing shortage. An accelerated depreciation deduction of capital works (4% per annum, compared to the standard 2.5%) is also available. The eligibility criteria are complex and certain aspects can be amended by the Government via legislative instruments. There remain inconsistencies on the criteria of BTR-related concessions between the income tax rules and other tax regimes (e.g. GST, stamp duty and land tax).

As part of the annual MIT health check process, tax implications from investments in BTR developments should be considered holistically and monitored regularly for any developments in the federal and state tax regimes. Taxpayers that elect into the BTR-related concessions must ensure that the requirements are monitored through the income year and ensure sufficient governance is in place.

Distributions by trusts that are not withholding MITs

Where trustees of non-MITs make distributions to non-resident investors, they are assessable on the distributions at a rate of 30% where the non-resident investor is a company, and at a rate of 45% where the non-resident investor is an individual or trustee. The tax due is generally deducted from the distributions paid to the non-resident investors as a "non-final withholding tax". The non-resident investors are subject to Australian income tax in respect of the distributions they receive and must lodge an Australian income tax return, but may be able to deduct any expenses relevant to the Australian investment, and also receive a credit for any non-final withholding tax paid by the trustee of the non-MIT.

Non-resident investors need to make sure they are aware of their compliance obligations if they invest into non-withholding MITs and lodge annual tax returns and claim tax refunds (if any) by the relevant due date.

Announced but unenacted changes to MIT rules

The previously announced extension of the 10% clean building MIT rate to data centres and warehouses that meet higher energy efficiency/environment standards is not yet legislated.

Furthermore, in response to the ATO's taxpayer alert on "captive MIT" structures, the Australian Government announced that it would amend the MIT laws to clarify that genuine foreign widely held investors, including single widely held owners, qualify, preserving industry practice. Draft laws are yet to be released and should continue to be monitored.

Investors should monitor changes in these areas when establishing new MIT structures or making new acquisitions.

Taxation of trading income

Public trading trust

A trust will be taxed in a similar manner to a company if it is classified as a 'public trading trust' for a year of income – that is, a trust that is both a 'public unit trust' (i.e. a listed or widely held trust) and a 'trading trust'. A trading trust is a trust that carries on a trading business at any time during an income year. In the context of land, a trading business is any activity other than investing in land primarily for the purpose of deriving rent. The "trading trust" status is also relevant to MIT qualification as mentioned earlier.

In real estate investments, businesses that acquire or develop assets for sale would generally be treated as trading businesses. The nature and operating models associated with newer asset classes (e.g. data centres, serviced accommodation) which have the potential of deriving non-rental income would also need to be considered with reference to the trading trust rules.

The activities of a trust should be monitored throughout an income year and reviewed as part of the regular MIT health check process to ensure that the trust's activities do not constitute a trading business and the flow through status of the trust is retained. This is an ongoing focus area for the ATO.

Taxation of foreign tax-exempt investors

Withholding tax exemption for foreign superannuation funds

From 1 July 2019 (unless transitional relief applies), the dividend and interest withholding tax exemption for foreign superannuation funds is generally limited to portfolio-like interests (less than 10%) without influence and does not apply to MIT fund payments. Transitional relief for pre-existing investments ended on 30 June 2026. For private credit, lender rights such as board observer, consent or veto rights should be tested against the influence condition.

Funds that relied on transitional relief should confirm their withholding tax position for payments made from 1 July 2026.

Access to sovereign immunity exemptions

Sovereign entities are exempt only on returns from portfolio-like interests (less than 10%, measured across the sovereign entity group) in Australian companies and MITs, without influence and excluding NCMI and active business income. The 7-year transitional relief on assets acquired on or before 27 March 2018 ended on 30 June 2026.

Prior to receiving their first distributions from Australian investments, sovereign investors should confirm eligibility for exemptions (which may include gathering information on investments held by other group members). To the extent that a sovereign entity has been relying on the transitional relief, they should check their investments to ensure that withholding tax is being applied where appropriate.

Tax on capital gains

Foreign resident CGT regime

Non-residents are taxed on gains on taxable Australian property (TAP), broadly Australian real property and non-portfolio (10% or more) interests in land-rich entities (indirect Australian real property interests, or IARPIs). The applicable tax rate can range from 15% to 45%, depending on a number of things e.g. the tax profiles of the non-residents, if the capital gains are derived via a direct disposal or via a MIT structure etc.

Furthermore, under the foreign resident capital gains withholding (FRCGW) rules, purchasers are required to withhold 15% of the purchase price where they acquire assets that are TAPs from non-resident vendors, unless the non-resident vendors have obtained a withholding rate variation from the ATO or provide certain declarations. The non-resident is then required to prepare and file an Australian tax return, whereby the 15% withholding tax remitted to the ATO by the purchaser should be creditable to the non-resident.

Reforms to strengthen the non-resident CGT regime were enacted and apply to CGT events on or after 1 October 2026. It introduces a broader statutory definition of 'real property' (capturing assets closely connected to Australian land and natural resources, such as certain licences, infrastructure rights and things fixed or installed on land), replaces the 'point-in-time' principal asset test with a 365-day testing period, and requires foreign residents disposing of membership interests with an aggregated value of AUD 50 million or more to notify the ATO before a non-IARPI declaration can be relied upon. A 50% CGT discount is also available to non-individual foreign residents disposing of Australian renewable energy assets before 1 July 2040.

Foreign residents should assess their existing and future Australian investment portfolio under the new rules and revisit the modelled exit outcome earlier rather than later. For contemplated disposals, account for the additional administrative time required to obtain a variation notice from or provide a non-IARPI declaration notification to the ATO.

Removal of the 50% CGT discount for Australian taxpayers

The Australian Government announced as part of its 2026-27 budget a series of tax reforms, which includes the introduction of 30% minimum CGT and the replacement of the 50% CGT discount (historically available for eligible Australian resident individuals and trusts) with cost base indexation for relevant gains accruing from 1 July 2027, apart from a few exceptions. These measures are domestically focused and should have limited direct tax impact to foreign residents. However, these tax reforms may change the broader investment landscape and dynamics in Australia.

Prior to 1 July 2027, taxpayers with onshore investment structures should review the impact of the CGT reform.

Debt deductions

Thin capitalisation

Under the current thin capitalisation regime (introduced in 2023), debt deductions of general class investors (broadly foreign controlled Australian entities and Australian entities controlling foreign entities) are limited under the fixed ratio test (30% of tax EBITDA), group ratio test or third party debt test, after first applying the debt deduction creation rules (DDCR) to related party debt used to acquire assets from, or fund payments to, associates. The ATO has finalised TR 2025/2 and PCG 2025/2, including its view that third party debt funding distributions or returns of capital fail the third party debt test.

Lastly, the current regime is undergoing an independent review conducted by the Board of Taxation. The Board of Taxation is due to provide its report and recommendations to the Senate by 31 January 2027.

Taxpayers should consider the impact of these rules on any existing and proposed funding structures for Australian investments. A choice to apply the group ratio test or third party debt test must be made in the approved form by the earlier of the lodgment date and the due date of the tax return for the income year.

The progress of the independent review should also be monitored. It is expected that key issues such as the practicality of the third party debt test and DDCR and the ATO's view on debt-funded distributions etc. would be addressed.

Interest withholding tax exemption – section 128F public offer test

Section 128F exempts interest on publicly offered debentures and syndicated loans from 10% interest withholding tax where certain thresholds of debt funding quantum are met. It is commonly relied upon by both domestic and foreign investors in obtaining external debt funding for significant real estate developments/investments.

The ATO undertook a consultation process in early 2026 alongside the banking industry. It appears the ATO is seeking to understand how the market operates and how/what form would public offers typically look like, for instance, the level of detail in the offer, how long the offer is open for, who makes the offer, mode of the offer, etc., with the ultimate objective of assessing what would constitute genuine "public offers".

Prior to lodgment of the next tax return, taxpayers should also review existing 128F arrangements to identify any potential risk.

For taxpayers considering accessing this concession, it is of paramount importance that the "public offer" process is commercially genuine and well documented.

Transfer pricing

For general class investors, the arm's length requirement extends to the amount, as well as the pricing, of cross-border related party debt. Draft PCG 2025/D2 (which has a targeted finalisation date of December 2026) sets out the ATO's risk framework and documentation expectations for debt quantum, and intra-group financing continues to be scrutinised in Foreign Investment Review Board approvals.

Prepare transfer pricing documentation, including a debt quantum analysis, before the income tax return for the income year is lodged, as it must be in place by then to support a reasonably arguable position and reduce potential penalties.

Hybrid mismatch rules

Division 832 of the Income Tax Assessment Act 1997 neutralises deduction/deduction and deduction/non-inclusion outcomes from hybrid entities and instruments (including imported mismatches) and targets debt funding via interposed entities subject to low or nil tax, with no de minimis threshold.

Obtain details of the foreign tax treatment of related entities, instruments and payments in the structure before lodging the tax return for the income year.

Other

Recoupment of losses

Trusts and companies generally must maintain more than 50% continuity of ownership to deduct carried forward tax losses, with companies also able to rely on the business continuity test. For income years commencing on or after 1 July 2026, companies that are not significant global entities may carry back tax losses against tax paid in the previous two income years via a refundable tax offset (limited by the franking account balance).

Test loss recoupment before any restructure or change in ownership and before claiming losses (or the loss carry back offset) in the tax return for the income year.

Other tax reforms – negative gearing and minimum tax on discretionary trusts

As part of the aforementioned tax reform:

- from 1 July 2027, net rental losses on established residential dwellings acquired from 7:30pm AEST on 12 May 2026 can only be offset against residential rental income and gains. New builds, widely held trusts and superannuation funds are excluded, and commercial property is unaffected.
- draft rules have been published for consultation to impose a 30% minimum tax on discretionary trusts from 1 July 2028, with three-year rollover relief from 1 July 2027 and an election for existing trusts to make fixed distributions to nominated beneficiaries. A new ‘fixed trust’ definition is intended to exclude widely held trusts and MITs, but unit trusts with discretionary features (such as unit issue or redemption powers) will need to be tested.

Prior to 1 July 2027, taxpayers with onshore investment structures should review and identify any entities that may be impacted by these proposed reforms.

Country-by-Country reporting (CbCR)

CbC reporting entities (broadly groups with annual global income of AUD 1 billion or more) must lodge a CbC report, master file and local file, with narrower exemption grounds and an expanded local file short form. For periods commencing from 1 July 2024, groups with Australian-sourced turnover of at least AUD 10 million must also publish a public CbC report (a subset of CbC data plus the group's approach to tax). The ATO's guidance in PS LA 2025/2 indicates exemptions will be rare.

Lodge CbC statements and the public CbC report within 12 months of period end (e.g. by 31 December 2026 for a 31 December 2025 year end, or by 30 June 2027 for a 30 June 2026 year end) and confirm which group entity will lodge.

Pillar Two

Australia has implemented the Income Inclusion Rule and Domestic Minimum Tax for fiscal years commencing on or after 1 January 2024, and the Undertaxed Profits Rule from 1 January 2025. The Government will implement the OECD 'Side-by-Side Package' (including new safe harbours) from 1 January 2026, but full compliance applies for the 2024 and 2025 fiscal years. The interaction with Australian trusts (both consolidated group entities and equity accounted joint ventures) can be complex and potentially result in a Top-up Tax exposure in some circumstances.

Lodge the GloBE information return and Australian returns within 15 months of fiscal year end (18 months for the first year), e.g. by 31 March 2027 for a 31 December 2025 year end that is not the group's first year and assess the new safe harbours for 2026 tax provisions.

2 India

Foreign investment framework in real estate sector in India

Subject to specific conditions, NRI and OCI are permitted to acquire any immovable property in India other than agricultural land, plantation property, or farmhouse property.

A foreign company is not permitted to directly hold any immovable property in India. However, as an exception, a foreign company (through a branch or project office or other place of business in India) is permitted to acquire any immovable property in India, for carrying on its business activities.

Foreign investments are permitted in securities of Indian companies engaged in construction and development and other real estate related activities (subject to conditions).

Foreign investments (other than from countries sharing land border with India) are permitted without prior Government approval – subject to adherence of pricing guidelines and other sectoral conditions. A brief summary of the key regulatory conditions is provided below:

- **Foreign investment in construction/development projects**
  - Investments are subject to lock-in period of three years from date of receipt of each installment/tranche of investment.
  - Lock-in shall not apply on completion of the project or after development of trunk infrastructure or in case of transfer between non-residents or construction of Special Economic Zones (SEZ) or construction of industrial parks, etc subject to certain prescribed conditions

- **Foreign investment in completed assets**
  - Investments are subject to lock-in period of three years from date of receipt of each tranche of investment.
  - Permitted activities – Operating and managing Townships, Malls, Shopping Complexes and Business Centre, including leasing of properties

Investment in the real estate sector can also be made by Foreign Portfolio Investors (FPI) by way of non-convertible debentures (subject to conditions) through following routes:

- **General Investment Route**
  - Investments are subject to minimum residual maturity of above one year
  - Single FPI (including related FPIs) cannot subscribe more than 50% of any issue of corporate bonds, subject to certain exceptions

- **Voluntary Retention Route**
  - Investment to be retained in India for minimum period of three years (75% of committed portfolio size).
  - Concentration limits do not apply i.e. single FPI can subscribe to full issue.

The framework for External Commercial Borrowings (ECB) has recently been revised to broaden access to offshore capital by expanding the pool of eligible borrowers. The end use restrictions have been relaxed to permit ECB in real estate development projects, acquisition financing etc. ECB is permitted with minimum average maturity period (MAMP) of three years. The cost of borrowing should be in line with prevailing market conditions.

The optimal investment route needs to be decided based on the commercial objectives of the proposed transaction, taking into account the regulatory framework of each investment route.

Corporate tax

Indian companies engaged in real estate related activities are chargeable to tax either at 25.17% (New regime – if special incentives are not claimed) or 29.12%/34.94% (old regime – incentive claim and certain turnover criteria). Further in case of old regime, it would also be liable to Minimum Alternate Tax at the rate of 16.31% if the accounting profits are higher than tax profits. Brought forward MAT credit can be availed only if the companies opt for new tax regime, subject to a 25% annual utilisation cap and the 15 tax year carry-forward limit. No new MAT credit is generated under the old regime after 1 April 2026.

Real estate investment trusts (REITs)

REIT is an investment vehicle formed as a trust duly registered with the Securities and Exchange Board of India (SEBI). REITs are required to be listed on the stock exchange and hold completed and rent/income generating properties in India either directly or through holding company (Hold Co) or special purpose vehicle (SPVs) in India. Properties could inter alia include office buildings, shopping malls, industrial parks, warehouses, etc. Further, Small and Medium REITs (SM REITs) provide access to completed, income-generating real estate assets with asset values from INR 500 million up to INR 5,000 million (minimum threshold for traditional REIT).

REITs are also subject to conditions, inter alia, including the condition that at least 80% (95% for SM REIT) of the value is invested in completed and rent/income generating real estate with a lock-in period of three years from the purchase date (lock-in not prescribed for SM REIT). REITs are prohibited from investing in vacant land or agricultural land or mortgages (with certain exceptions). Further, REITs are required to distribute at least 90% (100% for SM REITs) of their cash flows to their unit holders.

REITs have been accorded effective tax pass through status whereby interest, dividend from SPVs and rental income from property held directly (though direct holding not commercially attractive) is exempt in the hands of the REIT. Other incomes, including capital gains on disposal of REIT assets are taxable in the hands of the REIT.

Distribution by the REITs to unitholders in form of capital/debt repayment in excess of issue price of units is taxable at applicable rates in the hands of the unitholders. Distribution not taxed as above is to be reduced from the cost of acquisition of units.

With effect from 1 April 2026, dividend distributed by a business trust to its unitholders is exempt even where the underlying SPV has opted for the new tax regime. A qualifying business-trust SPV opting for the new tax regime is subject to tax at 28.60%.

Sale of units of the REIT is subject to a preferential tax regime (subject to payment of securities transaction tax on the sale transaction) applicable for foreign company as under:

1. Short-term capital gains – Effective tax rate 21.84%
2. Long-term capital gains – Effective tax rate 13.65%

The capital structure of REIT and SPVs should be finalised in a manner that can provide ease of repatriation and increase the overall yield for the unitholders.

Income characterisation (business income vs house property income)

Income derived under the **"construct and sell"** model is generally characterised as **business income** and taxed on a net income basis, with development and borrowing costs treated as part of inventory and allowed as deductions. For companies following a **"construct/purchase and lease"** model, the tax treatment depends on the underlying facts and business objectives. Where the company's primary activity is leasing properties along with related facilities and amenities, the income is generally characterised as business income and taxed similarly to the construct-and-sell model. However, where the company earns only rental income from leasing properties, such income is generally treated as **income from house property**, with deductions restricted to a 30% standard deduction (net of property tax) and interest on borrowings

Characterisation of income should be decided based on the nature of business.

Quasi thin capitalisation rules

In summary, interest deductibility is capped to 30% of EBIDTA. These rules apply to interest deduction claimed on debt raised from non-resident associated enterprise or a debt raised from non-associated enterprise is guaranteed by an associated enterprise subject to prescribed conditions.

Anti-abuse provision (sale of immovable properties)

Sale of immovable properties for an inadequate or NIL consideration is subject to taxation at a deemed value (determined based on the values imputed for stamp duty purposes). However, no adjustments shall be made in a case where the variation between stamp duty value and the sale consideration is not more than 10%.

Appropriate documentation should be maintained to justify the stamp duty value of the immovable property.

Anti-abuse provisions (receipt of immovable properties)

Receipt of immovable properties for an inadequate and/or NIL consideration is subject to taxation at a deemed value (determined based on the values imputed for stamp duty purposes). The difference is taxable if the same exceeds:

- INR 0.05 million; and
- 10% of the consideration

Appropriate documentation should be maintained to justify the stamp duty value of the immovable property.

Indirect taxes

Supplies to Special Economic Zone (SEZ) developers and units

Supplies of goods and/or services to SEZ developers and SEZ units for authorised operations within an SEZ qualify as zero-rated supplies under the GST law. Accordingly, such supplies may be made without payment of GST, and the supplier is eligible to claim a refund of the input taxes (in case GST is charged) incurred in relation to such supplies. Further, rental services provided by an SEZ developer within the notified SEZ area continue to remain exempt from GST.

In a recent taxpayer-friendly measure, the Government has introduced an invoice-based refund mechanism, replacing the earlier period-based approach. This enables taxpayers to file refund claims for specific invoices or transactions, providing greater flexibility and eliminating the need to include all eligible transactions pertaining to a particular tax period in a single refund application.

In case of any ITC accumulation at the SEZ unit, Refund opportunities can be explored and preparation from the document stand-point would be the key.

Reverse Charge on rental services

When GST was first introduced, the service of renting residential dwellings was fully exempt. This exemption was later narrowed to apply only where the dwelling is used for residential purposes. In cases where such property is rented to a registered person, the liability to pay GST arises under the reverse charge mechanism (RCM). However, it has been clarified that if the registered person uses the residential dwelling purely for personal purposes and does not claim the rent as a business expense, no GST is payable under RCM.

Further, the law has been amended to provide that, in the case of commercial properties leased by an unregistered lessor to a registered lessee, the liability to pay GST shall rest with the registered lessee under the reverse charge mechanism.

While planning land leasing transactions in India, registration status of the landlord needs to be checked, purpose of lease to be evaluated and RCM compliances as applicable needs to be carried out.

Input Tax Credit on Construction Services

The admissibility of input tax credit (ITC) on inputs and input services used for constructing immovable property has long been a contentious issue under GST. Section 17(5) of the CGST Act restricts ITC on works contract services and goods or services used for construction of immovable property, other than "plant or machinery". This led to disputes, particularly where such properties were intended for taxable outward supplies like renting or leasing.

In October 2024, the Supreme Court in the Safari Retreats case provided significant relief by holding that if the construction of a building is essential for carrying out taxable services such as renting or leasing, the building could be treated as "plant" and ITC may be admissible. The Court also introduced the "functionality test," requiring that the immovable property be functionally integral to the taxable supply in order for ITC to be claimed.

However, the government, through the Finance Act, 2025, amended Section 17(5) by substituting the phrase "plant or machinery" with "plant and machinery" and clarified that this change applies retrospectively from 1 July 2017, overriding any contrary judicial decisions. This amendment largely nullifies the relief granted by the Apex Court in Safari Retreats and reinstates the legislative intent to block ITC on construction of immovable property, even if such property is subsequently rented or leased. As a result, only construction relating to "plant and machinery" remains outside the ITC restriction, while all other immovable property continues to be excluded from credit entitlement. Industry is still litigating the matter on certain technical arguments wherein they are stating that irrespective of the plant and machinery argument, the Supreme Court order can still be relied on to avail input tax credit in case of pure renting/leasing scenarios.

Considering significant litigations associated with the matter, call on availment and utilization of ITC will have to be evaluated on a case-to-case basis.

GST on Long term Lease of Land

Under GST Law, sale of Land is not subject to GST. Although long term lease of land (which is generally for 99 years in India) is equated with sale of land, however, this is treated differently and subject to GST. GST on long-term lease of land is exempted only in specified circumstances (i.e., when the land is for industrial use/situated in the financial district).

In a recent decision, the Gujarat High Court and Bombay High Court held that the assignment of leasehold rights of land, along with any building constructed on it falls outside the GST ambit as such assignment involves the absolute transfer of rights, extinguishing the assignor's interest and creating new rights for the assignee, which essentially construes the sale of immovable property. Separately, Supreme Court has not stayed any of the High Court matter, however, there is no order on merits passed by Supreme Court till date. Additionally, whether the principal derived from this ruling can be applicable on grant of long-term lease of land, is still unclear.

Commercial negotiation on tax clauses of such secondary lease hold transaction needs to be evaluated considering the matter may potentially go under the litigation.

GST 2.0: Rate Rationalization and Its Impact on Real Estate

The Government took a massive exercise to rationalize GST rates applies to various Goods and Services. GST rates on many products have lowered (with GST rate of 28% applicable on many products coming down to 18%). GST rates on key construction inputs, most notably reducing the rate on cement from 28% to 18% and on select wood-based products and sand lime bricks from 12% to 5%. These changes are designed to ease input costs, improve cost efficiency, and support the government's broader agenda of making housing more affordable and transparent.

For developers, the impact will depend heavily on their procurement models. Turnkey contractors, who have already offset input tax credits against 18% output GST on works contracts, may see limited benefits. By contrast, developer led procurement models stand to capture measurable cost savings, creating room for commercial negotiations and potentially improving project margins.

From an investor's standpoint, the reforms could translate into healthier balance sheets for developers who actively renegotiate vendor contracts and pass on savings to end buyers accordingly, the investors (specifically residential sector) are expected to receive immediate benefits as cement and related inputs constitute a significant share of construction costs.

Looking ahead, the sector must also prepare for increased scrutiny of documentation and pass through practices. Developers will need to maintain clear working papers to justify assumptions and tax computations. For investors, this means greater transparency in cost structures and potentially improved confidence in project viability – provided developers execute effectively on the opportunities created by GST 2.0.

Proper GST rate analysis needs to be carried out project wise to estimate the actual impact from a tax cost/input tax credit standpoint for both residential and commercial project.

3 Korea

New Requirement for Submission of Application for Reduced Tax Rate on Domestic Source Income to the Korean Tax Authority

If a non-resident or foreign corporation, which is a beneficial owner of domestic source income, applies for a reduced withholding tax rate under an applicable tax treaty, the non-resident or foreign corporation should complete an application for entitlement to reduced tax rate on domestic source income and submit the completed application and related documentation to the income payor (acting as a withholding agent) before income is paid.

The prescribed related documentation includes documents supporting the beneficial ownership of the domestic source income and, where applicable, may include an overseas investment vehicle (OIV) report and a report on the OIV eligible for the beneficial ownership exception. The withholding agent and the OIV are required to retain the application and related documentation for five years from the due date for payment of the withholding tax.

Currently, the withholding agent is not required to submit the application and related documentation to the Korean tax authority unless submission is requested by the tax authority. However, starting from January 2026, the withholding agents must submit the application and related documentation received from a nonresident or foreign corporation to the competent tax office. The deadline for this submission will be the end of February of the year following the year in which the payment due date falls.

Increase in Corporate Tax Rate (including Local Income Tax Rate)

From 1 January 2026, the corporate tax rate (including local income tax rate) was appliable as below for each tax base bracket, which means the new corporate tax rate should be applied in preparing the corporate income tax return for the period 1 January 1 through 31 December 2026.

Tax Base	Marginal Tax Rates	
	Until 31 December 2025	From 1 January 2026
Up to KRW 200 million	9.9%	11%
Over KRW 200 million to KRW 20 billion	20.9%	22%
Over KRW 20 billion to KRW 300 billion	23.1%	24.2%
Over KRW 300 billion	26.4%	27.5%

Abolition of the Sunset provision for PFV dividend declared deduction

As one of investments vehicle for real estate development in Korea, a Project Financing Vehicle (“PFV”) may be used for foreign investors. For corporate income tax purposes, PFV is allowed to claim dividend declared deductions (“DDD”) on its dividend distributable income, under Article 51-2(1) of the Corporate Income Tax Act, to the extent the dividend declared amount is 90% or more of the dividend distributable income.

This tax benefit was originally scheduled to expire in 2028 under a sunset provision under the current tax law. According to the proposed tax amendment in August 2026, the sunset provision will be abolished, allowing the DDD rule to remain effective permanently. It is expected that the proposed bill will pass through the resolution of the National Assembly around the end of 2026.

4 Malaysia

Taxation of real estate investment trusts ("REIT")

Generally, the income of a REIT consisting of rental income, interest (other than interest which is exempt from income tax) and other investment income derived from or accruing in Malaysia will be taxable at the corporate tax rate currently at 24%.

Business tax deductions can include management fees, interest and property taxes and the REIT manager's remuneration. However, trustee's fees do not qualify for tax deduction since it is not seen to be wholly and exclusively incurred in the production of gross income.

Expenses incurred to set up an entity are generally not allowed as a tax deduction as these expenses are regarded as pre-commencement expenses. As a tax incentive, the Income Tax (Deduction for Establishment Expenditure of REIT or Property Trust Fund) Rules 2006 provide that the legal, valuation and consultancy fees incurred for establishing a REIT, which is subsequently approved by the Securities Commission Malaysia ("SC"), will be allowed as a tax deduction when the business of the REIT commences.

Where a listed REIT distributes at least 90% of its income, the tax transparency rules will apply so that tax will not be levied at the REIT level. Where a REIT, listed on Bursa Malaysia, intends to distribute 90% or more of its total income but has fallen short of 90% at the end of the basis period, the listed REIT is given a grace period of 2 months from the closing of its accounts to distribute the balance so that the tax exemption can still be applied at the REIT level.

If less than 90% of its total taxable income is distributed in a year of assessment (YA), the tax transparency system would not apply, and total taxable income of the REIT would be taxed at the current prevailing tax rate of 24%. Income, which has been taxed at the REIT level, will have tax credits attached when subsequently distributed to unitholders.

Unlisted REITs will not enjoy the above tax transparency treatment and will be taxed at 24%.

Exempt income

All dividends received from a Malaysian resident company are not subject to income tax in Malaysia.

Since REITs are unit trusts, certain income is exempt from income tax, including interest or discount from the following investments:

- Any savings certificates issued by the government.
- Securities or bonds issued or guaranteed by the Government.
- Sukuk or debentures issued in Ringgit, other than convertible loan stocks, approved or authorised by or lodged with the SC.
- Bon Simpanan Malaysia issued by Bank Negara Malaysia;
- Bonds and securities issued by Pengurusan Danaharta Nasional Berhad.
- Licensed bank under the Financial Services Act 2013 or Islamic Financial Services Act 2013 or a development financial institution prescribed under the Development Financial Institution Act 2002.

The exemption of Foreign Sourced Income ("FSI") received in Malaysia is only applicable to a person who is a non-resident.

FSI (e.g. dividends, interest, etc. from overseas) of a Malaysian resident REIT when received in Malaysia will be subject to income tax at the prevailing rate of 24%.

Such income from foreign investments may be subject to taxes or withholding taxes in the specific foreign country. Subject to meeting the relevant prescribed requirements, the REIT in Malaysia is entitled for double taxation relief on the foreign tax suffered on the income in respect of overseas investment.

Losses and capital allowances carried forward

Any unabsorbed tax losses and unabsorbed capital allowance for a YA cannot be carried forward to set off against future rental income.

Cost of obtaining finance

Costs of obtaining finance (other than interest), including legal costs and stamp duty on new loan transactions, are generally not tax deductible. However, specific tax deduction is allowed for financing costs incurred in relation to the issuance of certain Islamic securities in Malaysia.

Taxation of REIT unitholders

Distributions to Investors

Where 90% or more of the listed REIT's total taxable income is distributed by the listed REIT, distributions to unitholders will be subject to tax based as follows:

Chargeable Persons	YA2016 to 2025		YA2026 and subsequent YAs	
	Types of Tax	Rate	Types of Tax	Rate
(A) Company				
i) Resident	Corporate Rate	24%	Corporate Rate	24%
ii) Non-resident	WHT (Final)	24%	WHT (Final)	24%
(B) Foreign institutional investor	WHT (Final)	10%	Corporate Rate/ Non-Resident Individual Rate	30% of chargeable income
(C) Individual				
i) Resident	WHT (Final)	10%	Individual Scaled Rates	0%-30%
ii) Non-resident	WHT (Final)	10%	Non-Resident Individual Rate	30% of chargeable income
(D) Others				
i) Resident	WHT (Final)	10%	Corporate Rate/ Scaled Rate	0%-30%
ii) Non-resident	WHT (Final)	10%	Corporate Rate/ Non-Resident Individual Rate	30% of chargeable income

Resident unit holders

Income distribution by REITs (which are exempt at the level of REITs under section 61A of the ITA) to companies and other unit-holder entities are subject to their respective tax rates while for individual unit-holders will be subject to the individual tax rate. The deduction of WHT under section 109D of the ITA will not be applicable to resident unit holders and the resident unit holders are required to report the distribution of profits from REITs in their respective Income Tax Return Forms.

Non-resident unit holders

Income distributions by REITs (which are exempt at the REIT level under section 61A of the ITA) will be charged as follows:

1. Companies – The existing tax treatment remained unchanged from the YA 2026 as provided under subparagraph 1(b), Part X, Schedule 1 of the ITA.
2. Other than companies – Income distribution by REITs to the unit holders other than companies including individuals will not be subjected to WHT under section 109D of the ITA and the unit holders are required to report the distribution of profits from REITs in their respective Income Tax Return Forms

Distribution below 90%

Where less than 90% of the total taxable income is distributed, the listed REIT is not entitled to the tax transparency rules. The listed REIT will be subject to income on taxable income at 24% (normal corporate rate of tax). The distributions made by the REIT of such taxed income will have tax credits attached.

Resident individuals will be subject to tax at their own marginal rates on distributions and be entitled to tax credits representing tax already paid by the REIT.

Resident corporate investors are required to report the distributions from REITs in their corporate tax return and bring such income to tax at the corporate tax rate, currently 24%. Where tax has been levied at the REIT level, the resident corporate investors are entitled to tax credits.

No further taxes or WHT would be applicable to foreign unitholders. Foreign unitholders may be subject to tax in their respective jurisdictions depending on the provisions of their country's tax legislation and the entitlement to any tax credits would be dependent on their home country's tax legislation.

Distributions representing specific exempt income or gains on disposal of investments at the REIT level will not be subject to further income tax when distributed to all unitholders.

Transfer pricing

The Director General of Inland Revenue is empowered to make adjustments to transactions of goods and services between associated persons, including related companies. The transfer pricing audit framework has been issued by the tax authorities to ensure that controlled transactions comply with the arm's length principle, the Malaysian tax laws as well as administrative requirements.

If any understatement or omission of income is discovered during the transfer pricing audit, a penalty will be imposed. However, a concessionary penalty rate may be imposed in a case where a voluntary disclosure was made. Taxpayers have to prepare contemporaneous transfer pricing documentation, (i.e. either at the point of developing the inter-company transaction or prior to the submission of the company's tax return).

Withholding tax ("WHT")

Payments made by Malaysian residents to non-residents that are deemed to be derived in Malaysia are subject to WHT at the following prescribed rates:

1. Interest – 15%.
2. Royalty – 10%.
3. Contract Payments – 10% + 3%.
4. Rental – 10%
5. Services – 10%
6. Other gains or profit – 10%

The rates may be reduced under specific double tax treaties.

Stamp duty

Stamp duty is imposed on a wide range of documents and transactions. The rates vary with the type of document and amount involved. The stamp duty payable for transfer in-struments for real property is 1% to 3% of the market value of the property. The stamp duty payable for transfer instruments for shares is 0.3% of the consideration. Generally, the purchase and sale of units in a listed REIT are not subject to stamp duty since the units are traded scripless on the Malaysian Stock Exchange.

Sales and service tax

With effect from 1 July 2025, where the REIT provides taxable rental/leasing services to its tenants and the value of such services exceeds the registration threshold of RM1,000,000 within a 12-month period, it is required to register for service tax and charge 8% service tax thereon. A business-to-business (B2B) exemption may be availa-ble, subject to meeting the prescribed conditions and the relevant filing requirements.

Taxable services the REIT typically incurs service tax on are professional advisory ser-vices (e.g. audit, legal, accounting), taxable at 8%. Following the expansion of the scope of taxable financial services on 1 July 2025, fund management charges, trustee fees and other charges related to investments in the REIT such as sales charges, and brokerage commission, now incur a service tax of 8%.

Service tax also applies to any taxable service that is acquired by any person in Malay-sia from an overseas service provider. Where the REIT acquires imported taxable ser-vices (e.g. overseas fund manager charges or financial advisory charges), it is required to self-account for service tax on the imported taxable services to the relevant authori-ties.

As service tax is a single stage tax, the service tax incurred will generally form a cost to the REIT. Sales Tax is not applicable to the REIT as it concerns manufactured goods.

Digital service tax

Effective 1 January 2020, service tax at 6% will be imposed on digital services provided by both local and foreign service providers. Digital services are defined as services which are delivered or subscribed over the internet or other electronic network and can-not be delivered without the use of IT and the delivery of the service is substantially au-tomated. This could potentially result in certain service providers charging digital service tax to the REIT, resulting in an increase in cost.

Gains on sale of property

Any gains on disposal of real properties (chargeable asset), or shares in real property companies (chargeable asset) would be subject to the following real property gains tax (RPGT) rates:

Date of disposal	Companies incorporated in Malaysia and trustees of a trust	Individual (citizen and permanent resident)	Individual (non citizen and non-permanent resident and companies not incorporated in Malaysia)
Within 3 years from	30	30	30
In the 4th year	20	20	30
In the 5th year	15	15	30
In the 6th year and above	10	0	10

A real property company is a controlled company that owns or acquires real property or shares in real property companies with a market value of not less than 75% of its total tangible assets. A controlled company is a company that does not have more than 50 members and is controlled by not more than five persons.

Disposal of property to a REIT approved by the SC are exempt from RPGT and stamp duty. Where the approved REIT subsequently sells properties, the RPGT and stamp duty exemption would not apply.

With effect from 1 March 2024, CGT will be applicable on gain on sale of shares in unlisted Malaysian companies and shares in foreign companies which ultimately have investments in Malaysian real property at the following rates:

Share Acquisition Date	CGT rate
Before 1 January 2024	Rate can be: i.10% on net gain; or 2% on gross sales value
From 1 January 2024	10% on net gain

Therefore, gains from disposal of all Malaysian unlisted shares will be subjected to CGT from 1 March 2024 instead.

5 New Zealand

Tax rates and real property taxation

Net rental income from New Zealand real property is taxable in New Zealand. Most companies are taxed at 28%. Individuals are taxed at progressive rates up to 39%, while trustee income is generally taxed at 39% where annual trustee income exceeds NZ$10,000 (subject to specific exceptions).

Expenses incurred in deriving rental income are generally deductible, subject to specific limitations. Repairs and maintenance are generally deductible, whereas capital expenditure is generally not deductible. Depreciation deductions are not available for building structure but may be available for commercial fit-out.

Before year end, review material repairs, fit-out and refurbishment expenditure for the correct revenue/capital treatment and ensure deductions and accruals are supported.

Property disposals and land sale rules

New Zealand does not have a comprehensive capital gains tax. A gain made on property held on capital account is therefore generally not taxable, but the specific land sale rules can tax gains in a wide range of circumstances.

Relevant rules include property acquired with a purpose or intention of disposal, the dealer/developer/builder and associated-person rules, and the residential property bright-line rule. Depreciation recovery may also arise on depreciable property.

Before committing to a disposal or restructure, test all relevant land sale rules and depreciation recovery to determine the New Zealand tax consequences.

Tax depreciation and Investment Boost

From the 2025 income year, the ordinary depreciation rate for buildings with an estimated useful life of 50 years or more, including non-residential buildings, is 0%. Separately identifiable fit-out, plant and other depreciable components may continue to be depreciated at their applicable rates.

In 2025 New Zealand introduced an “Investment Boost” incentive regime. This applies to qualifying new or new-to-New Zealand depreciable assets first available for business use on or after 22 May 2025. A 20% deduction is available upfront, with ordinary depreciation rules applying to the remaining 80%. Qualifying assets can include new commercial and industrial buildings and qualifying improvements; residential buildings are excluded.

Before balance date, review capital expenditure and commissioning dates, identify the relevant item of depreciable property and retain evidence supporting Investment Boost eligibility and asset classification.

Purchase price allocation

Where a transaction involves two or more asset classes, the buyer and seller should agree a tax purchase price allocation (PPA) based on market value. The allocation can affect depreciation recovery for the seller and the buyer's tax cost bases and future deductions.

In practice, PPAs are generally addressed in the sale and purchase agreement (SPA), either through a specific agreed allocation or a mechanism requiring the parties to agree the allocation within a specified timeframe following execution or settlement.

Clients should ensure that the PPA is agreed in accordance with the SPA terms or, where not addressed in the SPA, separately agreed and documented between the parties.

Interest deductions and cross-border funding

Interest is generally deductible where the borrowed funds are used to derive New Zealand assessable income, subject to the ordinary deductibility rules and the international tax restrictions noted below. From 1 April 2025 interest incurred in relation to residential property can be fully deductible where the general rules are satisfied.

Interest paid to a non-resident may also be subject to non-resident withholding tax (NRWT) at 10 to 15%. For qualifying third party debt, an approved issuer may instead pay the tax deductible approved issuer levy (AIL), generally at 2% of the interest, rather than deduct NRWT.

Before year end, review any refinancing and check NRWT/AIL treatment before making cross-border interest payments.

Thin capitalisation, transfer pricing and anti-hybrid rules

New Zealand's thin capitalisation rules can restrict interest deductions for foreign-controlled New Zealand groups and New Zealand groups with offshore investments. The general safe-harbour debt to net asset percentage is 60% for inbound groups and 75% for outbound groups; the worldwide-group debt percentage test can also apply.

Cross-border related-party transactions must be arm's length. The restricted transfer pricing rules apply to inbound related-party debt where cross-border related-party borrowings are NZ$10 million or more. These rules are more restrictive than the standard arm's length principle and can limit the interest rate deductible for NZ tax purposes, even where the actual rate is arm's length.

Anti-hybrid rules can also deny deductions or require income inclusions where cross-border mismatch outcomes arise.

From the 2027 income year, eligible businesses creating, operating, maintaining or upgrading qualifying New Zealand infrastructure assets can elect into a specific infrastructure thin capitalisation exemption. This allows qualifying third party, limited-recourse debt to be excluded from the standard thin capitalisation restrictions, subject to meeting the eligibility criteria.

Forecast the year end thin capitalisation position, confirm related-party debt pricing and terms, and retain contemporaneous transfer pricing and hybrid analysis. If the infrastructure rule may apply, diarise the annual election by the income tax return filing date.

Tax losses

Tax losses can generally be carried forward. Company tax losses require that at least 49% shareholder continuity is maintained or the business continuity test is satisfied. New Zealand tax losses cannot generally be carried back.

Residential rental property deductions remain ring-fenced, so excess residential deductions generally cannot be offset against other income and are carried forward for use against future residential property income, subject to the specific disposal rules.

Before any share transfer or portfolio reorganisation, map ownership continuity and business continuity requirements for each entity that has tax losses.

Goods and Services Tax (GST)

GST is generally charged at 15%. GST registration is required where taxable supplies are at least NZ$60,000 in a 12-month period. Commercial rental is generally taxable where the owner is GST registered, while long-term residential rental is generally exempt.

A land transaction must generally be zero-rated where the supplier and recipient are GST registered, the recipient intends to use the land for making taxable supplies, and the land is not intended to be used as the recipient's (or a relative's) principal place of residence. These conditions are tested at settlement. Change in use adjustments may also apply, with land subject to up to 10 adjustment periods.

For acquisitions and disposals, confirm GST status and intended use in the transaction documents and again at settlement.

Non-resident investment in New Zealand

Overseas persons may need Overseas Investment Office consent to acquire sensitive New Zealand assets, including sensitive land or significant business assets (usually NZ$100 million or more). A lease of sensitive land for more than 10 years can also require consent, and share acquisitions can be captured where the target holds sensitive land.

Reforms effective from 6 March 2026 retained the scope of assets screened but streamlined the assessment of many investments. Farmland, residential land and fishing quota continue to have specific consent pathways.

For any proposed acquisition or restructure involving overseas ownership, confirm the OIO position before the transaction becomes unconditional and allow sufficient time for any consent process.

Pillar Two/GloBE

New Zealand's GloBE (Pillar Two) rules apply to multinational enterprise groups for fiscal years beginning on or after 1 January 2025.

In-scope groups must register within six months after the end of their first in-scope fiscal year. The first GloBE Information Return is generally due 18 months after the end of that year (15 months in subsequent years). For example, groups with a 31 December 2025 year end will generally have their first filing obligations due by 30 June 2027.

With the first compliance deadlines approaching in 2027, in-scope groups should ensure registrations are complete, assess available safe harbours, confirm their filing obligations and establish processes to collect the necessary data across jurisdictions.

General election and potential change in Government

New Zealand's next General Election will be held on 7 November 2026. If there is a change to a Labour-led government, there may be changes to the tax laws relevant to property investments. In particular, a targeted capital gains tax of 28% may be introduced in relation to property transactions and the Investment Boost incentive may be removed, potentially from 1 July 2027.

6 Philippines

Tax Rates

Ordinary income tax

Sale of real property classified as an ordinary asset is generally subject to ordinary income tax, and the income or gain arising from the sale or exchange shall be subject to the applicable corporate income tax. Domestic corporations are generally subject to the 25% regular corporate income tax (CIT), while qualified domestic corporations (i.e., domestic corporations with net taxable income not exceeding PHP5 million and total assets not exceeding PHP 100 million, excluding the land on which the entity's office, plant and equipment are situated) may be subject to the 20% CIT rate. In addition, domestic corporations may be subject to the 2% minimum corporate income tax (MCIT), imposed on gross income beginning on the fourth taxable year immediately following the year in which the corporation commenced business operations, when the MCIT is greater than the regular CIT.

Resident foreign corporations are likewise generally subject to income tax on Philippine-source income attributable to their Philippine operations while non-resident foreign corporations are generally taxed through final withholding taxation on Philippine-source income, subject to treaty relief where applicable.

Expanded withholding tax

The sale of real property classified as an ordinary asset is also generally subject to creditable withholding tax (CWT). For taxpayers habitually engaged in the real estate business, BIR Form No. 1606 with proof of payment of the CWT serves as proof of the related income tax credit.

Value-added tax (VAT)

Generally, sale of real properties held primarily for sale to customers or held for lease in the ordinary course of trade or business is subject to 12% VAT. The VAT shall be based on the gross sales of the real property sold, or leased.

The following sales are exempt from VAT:

- Sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business;
- Sale of real property utilized for low-cost and socialized housing as defined by Republic Act (RA) No. 7279, as amended;
- Sale of house and lot, and other residential dwellings with selling price not more than PHP 3,600,000; and
- Lease of a residential unit with a monthly rental not exceeding PHP 15,000 per month, regardless of the aggregate rental amount during the year.

Notwithstanding, VAT may be imposed on incidental sales.

The Ease of Paying Taxes (EOPT) Act provides that VAT on the sale or exchange of services and lease of property shall be levied, assessed and collected on gross sales rather than gross receipts. The law defines gross sales as the total amount of money or its equivalent which the purchaser pays or is obligated to pay to the seller in consideration of the sale, barter or exchange of the goods or properties, excluding the VAT. Thus, the shift from gross receipts to gross sales may affect the timing of VAT recognition for leasing arrangements.

Capital Gains Tax

Sale of real property shall be subject to a capital gains tax (CGT) of 6% on the gain presumed to have been realized on the sale, exchange or disposition of lands and/or buildings which are not actually used in the business and are treated as capital assets.

Capital assets are defined as property held by the taxpayer (whether or not connected with his trade or business), but not including the following:

- Stock in trade or other property of a kind which would properly be included in the inventory, if on hand at the close of the taxable year;
- Property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business;
- Property used in trade or business, of a character which is subject to allowance for depreciation; and
- Real property used in trade or business of the taxpayer.

Documentary stamp tax (DST)

DST is imposed on the privilege of entering into certain transactions through the execution of specific instruments or documents as follows:

- Sale, conveyance and donation of real property [PHP 15 for each PHP 1,000 (effectively 1.5%) is levied on the consideration paid for the real property, or its fair market value, whichever is higher]
- Lease agreements on land and other tenements [PHP 6.00 for the first PHP 2,000 + PHP 2.00 for every PHP 1,000 thereafter is levied for each year of the agreement]
- Mortgages, pledges, and deeds of trust (PHP 40.00 for the first PHP 5,000 + PHP 20.00 for every PHP 5,000 thereafter is levied on the amount secured)

Before year-end 2026, review the Philippine holding vehicle and each material lease, acquisition or disposal planned for 2027 to model regular CIT/MCIT, VAT, CWT/FWT, CGT, DST and local tax leakage and identify whether transaction timing or structure should be modified.

Dividend and capital gains tax exemption

Dividends received by a Philippine domestic corporation from another domestic corporation are generally exempt from income tax. Dividends paid to non-resident foreign corporate investors are generally subject to 25% final withholding tax. The rate may be reduced to 15% under the tax-sparing provisions of the Tax Code or to a lower rate under an applicable tax treaty, subject to satisfaction of the relevant conditions.

Gains from the sale of shares not traded through an exchange are generally subject to 15% capital gains tax (CGT). Treaty relief may be available; however, under many Philippine tax treaties, gains from the disposal of shares deriving their value principally from Philippine real property may remain taxable in the Philippines. Listed shares and other covered securities are subject to the applicable stock transaction tax regime. The foregoing treatment should be considered together with the seller's status (i.e., domestic corporation, resident foreign corporation, non-resident foreign corporation, or individual investor) and the availability of treaty relief.

Before implementing a dividend distribution or sale of shares, review treaty eligibility, beneficial ownership requirements and the real-property-rich company provisions under the applicable treaty to determine whether preferential tax treatment is available.

Share capital repayments

Investors may repatriate capital from a Philippine company through a reduction of capital, redemption of shares or liquidation of the corporation. Where the corporation remains in existence, distributions made through a reduction of capital or redemption of shares may be treated as a return of capital to the extent of the shareholder's investment. Any portion treated as a distribution of earnings may be subject to dividend taxation. The tax treatment may vary depending on whether the shareholder is a domestic corporation, resident foreign corporation, non-resident foreign corporation, or individual investor. Dividends paid to non-resident foreign corporate investors are generally subject to 25% final withholding tax, which may be reduced to 15% under the tax-sparing provisions of the Tax Code or to a lower rate under an applicable tax treaty, subject to satisfaction of the relevant conditions and the filing of an appropriate tax treaty relief application.

Upon liquidation, shareholders generally recognize gain or loss based on the difference between the value of the cash or property received and the tax basis of their shares. For foreign investors, gains arising from the liquidation may also be subject to the same tax considerations applicable to a disposal of shares, including the potential availability of treaty relief. Gains from the sale of unlisted shares are generally subject to 15% capital gains tax. Tax consequence may vary depending on the status of the shareholder and the availability of treaty benefits.

Before undertaking a capital reduction, share redemption or liquidation, review the intended method of repatriating capital and determine whether the amounts received will be treated as a return of capital, dividend income or liquidation proceeds, as the tax consequences may differ significantly.

Rollover relief/tax-free exchanges

The Philippines does not provide a general rollover relief regime that allows gains from the disposal of real property to be deferred through reinvestment in replacement property. However, qualifying transfers and reorganizations under Section 40(C)(2) of the NIRC may be undertaken without recognition of gain or loss when the statutory requirements are met. This may apply where a transferor contributes real property or shares in a property-holding company to another corporation in exchange for shares and, as a result of the exchange, acquires control of, or together with not more than four persons gains control of, the transferee corporation. Similar treatment may also be available for qualifying corporate reorganizations.

For planned restructurings involving Philippine real estate investments, assess whether the proposed transfer may qualify as a tax-free exchange before implementation and ensure that the required documentation is completed prior to the transfer.

Interest capping rules

The Philippines does not have statutory thin capitalization or earnings-based interest limitation rules similar to those adopted in other jurisdictions. However, under Section 34(B) of the Tax Code, deductible interest expense is generally reduced by 20% of interest income subjected to final withholding tax. In addition, related-party financing arrangements must comply with the arm's-length principle.

For real estate investors, shareholder loans are commonly used to finance acquisitions and property-holding structures. Consequently, the deductibility of interest expense, the applicable withholding tax obligations and transfer pricing requirements should be considered when establishing or refinancing investment structures.

Review shareholder loans and other related-party financing arrangements before year-end to confirm the deductibility of interest expense, compliance with withholding tax obligations and support for transfer pricing positions.

Net operating losses (NOL) planning

The Philippines allows the utilization of net operating loss carry-over (NOLCO) for the three taxable years immediately following the year of loss, provided the loss was not incurred during a tax-exempt year and there has been no substantial change in ownership. In the case of a corporation, the NOLCO may only be utilized if at least 75% of the nominal value of the outstanding issued shares or paid-up capital continues to be held by or on behalf of the same persons.

Before year-end 2026, review projected taxable income and available NOLCO balances to determine whether losses may be utilized before they expire. Investors considering acquisitions, restructurings, or changes in ownership should also evaluate whether the proposed transaction may affect the continued availability of NOLCO.

Tax prepayments

Philippine operating entities and other taxpayers subject to regular income taxation commonly accumulate creditable withholding taxes (CWT) arising from rental income and other transactions. Such credits may generally be applied against the entity's income tax liabilities, provided the relevant substantiation and documentary requirements are satisfied. Sales of real property classified as ordinary assets may likewise generate CWT credits.

Before year-end 2026, reconcile available CWT credits against projected income tax liabilities and verify that the required supporting documents are available to support the utilization of the credits.

Substance requirements

International investors commonly hold Philippine real estate through intermediate holding companies. Where treaty benefits are being claimed on Philippine-source dividends, interest or capital gains, the investor should be able to demonstrate treaty residence, beneficial ownership and sufficient commercial substance.

Before implementing distributions, financing arrangements or divestments, review the holding structure and ensure that the documentation supporting treaty residence and beneficial ownership is available, including applicable treaty relief application.

Transfer pricing

Related-party transactions must comply with the arm's-length principle. For real estate investors, these transactions may include shareholder financing, property management and asset management fees, guarantees, related-party leases and transfers of real property or shares. Taxpayers with material related-party transactions may also be required to maintain contemporaneous transfer pricing documentation and comply with applicable related-party disclosure requirements.

Review material cross-border and domestic related-party transactions before year-end and ensure that transfer pricing policies, intercompany agreements and supporting documentation are consistent with the arm's-length principle and duly supported by appropriate TP documentation.

Tax group

The Philippines does not have a group taxation or tax consolidation regime. Each corporation is taxed as a separate legal entity and tax losses, credits and other tax attributes generally cannot be transferred or consolidated within a group.

Where Philippine real estate investments are held through multiple entities, review the ownership and operating structure before year-end to determine whether assets, liabilities and taxable income remain structured or arranged among the entities in a tax-efficient and compliant manner.

Real Property Valuation and Assessment Reform Act (Republic Act No. 12001)

The Real Property Valuation and Assessment Reform Act (Republic Act No. 12001) mandates that, for valuation purposes, all real properties, whether taxable or exempt, shall be valued or appraised based on prevailing market values in the locality where the property is situated, in conformity with the Philippine Valuation Standards (PVS). In this regard, all assessors shall update their respective Schedule of Market Values (SMV) within two (2) years from effectivity of R.A. No. 12001 or until July 5, 2026. General revisions of property assessments and classifications shall also be made every three (3) years.

Conduct a valuation-based tax due diligence review of target properties and monitor whether the relevant LGU has adopted an updated Schedule of Market Values (SMV), which may affect RPT assessments and transaction valuations in 2027.

Invoicing requirements for VAT-registered persons

Under the EOPT Act and its implementing regulations, VAT-registered persons are required to issue VAT invoices for every sale, barter, exchange or lease of goods or properties. These requirements were implemented under RR Nos. 7-2024 and 11-2024, which introduced changes to invoicing and the treatment of previously issued official receipts.

Separately, Revenue Memorandum Circular (RMC) No. 98-2026 prescribes the policies and guidelines on electronic invoicing. Covered taxpayers, except Micro taxpayers, are required to comply with the electronic invoicing requirements on or before December 31, 2026. An invoice generated through a computerized accounting or invoicing system and subsequently printed on paper is not considered an electronic invoice unless the system is capable of electronically issuing and transmitting the invoice to the buyer and electronically transmitting or reporting the required sales data to the BIR.

Confirm that all leasing and property management entities comply with the applicable invoicing requirements and, if covered by RMC No. 98-2026, are prepared to comply with the electronic invoicing requirements by December 31, 2026.

ONETT and eCAR for real property transactions

RMC No. 75-2026 provides guidance on the application and processing of the One-Time Transaction (ONETT) Computation Sheet and Electronic Certificate Authorizing Registration (eCAR) for property transactions, including sales of real property classified as capital or ordinary assets. The RMC clarifies the applicable taxes, filing and payment deadlines, documentary requirements, and procedures for the issuance of the eCAR for covered transactions. As the eCAR is required in connection with the registration of the transfer of property, compliance with the ONETT requirements should be considered in planning the transaction timetable.

For acquisitions or disposals of Philippine real property planned before or around year-end, review the applicable ONETT filing, payment, and eCAR requirements and allow sufficient time for compliance to avoid delays in the transfer and registration of the property.

7 Singapore

Taxation of gains on sale of foreign assets received in Singapore under Section 10L

In principle, Singapore income tax is only imposed on gains that are revenue in nature and there is no tax on capital gains. However, Section 10L of the Singapore Income Tax Act 1947 ("ITA") seeks to impose Singapore income tax on gains from the sale or disposal of foreign assets (other than intellectual property rights) occurring on or after 1 January 2024 by relevant group entities without adequate economic substance in Singapore where such gains are received in Singapore from outside Singapore.

An entity that falls within the scope of Section 10L is a member of a relevant group whose assets, liabilities, income, expenses and cash flows are included in consolidated financial statements of the parent entity of the group prepared in accordance with generally accepted accounting standards. An entity excluded from the consolidated financial statements of the parent entity solely on size, or materiality grounds or on the grounds that the entity is held for sale would still be considered as being within the scope of Section 10L.

In general, whether an entity would be within the scope of Section 10L would depend on (i) whether there is another entity that holds controlling interest in the entity and includes the assets, liabilities, income, expenses and cash flows of that entity in its consolidated financial statements, prepared in accordance with generally accepted accounting standards, as one economic unit; and (ii) not all the entities of the group are incorporated, registered or established in Singapore, or any group entity has a place of business outside Singapore. Where an entity is within the scope of Section 10L, whether gains from the sale or disposal of its foreign assets would be subject to Singapore income tax under Section 10L would also depend on (a) whether such gains are received (or deemed received) in Singapore from outside Singapore, and (b) whether the entity meets the economic substance requirements.

Where an entity outsources some or all of its economic activities to another party (e.g. outsourcing to a Singapore-based investment manager), the economic substance requirement may be satisfied by taking into account resources of the outsourced entity in Singapore where certain conditions are met. For an outsourcing arrangement to satisfy the economic substance requirement, the following conditions must be satisfied:

- the economic activities are to be carried out by the outsourced entity in Singapore;
- the outsourcing entity has a direct and effective control over the outsourced activities carried out by the outsourced entity on its behalf (i.e., the outsourcing entity has exercised adequate monitoring and control of the economic activities carried out by the outsourced entity); and
- the outsourced entity providing the outsourced services must set aside dedicated resources to provide the outsourced services.

Investors should take into account the Singapore income tax implications that may arise from the above (e.g. whether their Singapore holding entities have adequate economic substance in Singapore), as the gains arising from the disposal of foreign assets which may ordinarily not be subject to Singapore income tax (i.e. capital gains or gains that qualify for certainty of non-taxation under Section 13W) could potentially be subject to Singapore income tax under Section 10L.

Section 13W safe harbour rules

Section 13W of the ITA provides certainty of non-taxation for gains or profits derived by a company ("divesting company") from the disposal of ordinary shares and/or qualifying preference shares in another company ("investee company") made on or after 1 January 2026, subject to certain conditions. Broadly, immediately before the disposal, the divesting company must have legally and beneficially owned at least 20% of the ordinary shares and/or qualifying preference shares (i.e. preference shares accounted for as equity by the investee company under the applicable accounting principles) in the investee company throughout a continuous period of at least 24 months ending on the day immediately preceding the date of disposal ("20% shareholding threshold condition"). The 20% shareholding threshold condition refers to 20% of the total amount of paid-up share capital of ordinary shares and qualifying preference shares in the investee company.

The safe harbour rule applies regardless of whether the investee company is (a) incorporated in Singapore or elsewhere; (b) listed or non-listed.

In addition, for disposals on or after 1 January 2026, the assessment of the 20% shareholding threshold condition can be applied on a group basis subject to meeting the relevant qualifying conditions. Broadly, qualifying shareholdings of the divesting company and its related companies within the same group that have been held throughout the relevant continuous 24-month period may be aggregated when determining whether the 20% shareholding threshold is met.

For disposals on or after 1 January 2026, the safe harbour rule does not apply, among other things, to disposals of unlisted ordinary shares and/or qualifying preference shares in an investee company (i) that is in the business of trading immovable properties (situated in Singapore or elsewhere), (ii) whose principal activity is holding immovable properties (situated in Singapore or elsewhere) from which passive or no income is derived, or (iii) that has undertaken property development activities (in Singapore or elsewhere).

The above exclusion relating to an investee company that has undertaken property development activities does not apply where the following two conditions are met:

1. the immovable property developed is used by the investee company to carry on its own business to derive trade income. Such a business includes the business of letting immovable properties; and
2. the investee company did not undertake any property development activity in the past 60 months before the disposal of shares.

Investors should evaluate new investment structures, and re-evaluate existing investment structures, to determine whether they may benefit from the Section 13W safe harbour rules.

Domestic related party loans

Under the Singapore transfer pricing guidelines, interest on loans between related parties should be determined based on the arm's length principle. Based on the IRAS e-Tax Guide "Transfer Pricing Guidelines (Ninth Edition)" issued on 4 June 2026, for domestic related party loans entered into on or after 1 January 2025, where neither the lending party nor the borrowing party is in the business of borrowing and lending, the parties may apply the IRAS indicative margin (published on IRAS' website and updated at the beginning of each year) to derive the interest rate or determine the interest rate based on the arm's length principle. To further ease taxpayers' compliance, IRAS will not make a Section 34D transfer pricing adjustment in respect of such a related party domestic loan. Any deduction for interest expense remains subject to Section 14(1)(a) of the ITA and interest restriction, where appropriate.

Investors with Singapore-based holding structures that are capitalised through domestic related party loans, including interest-free loans ("IFLs"), should review their existing financing arrangements and consider the potential Singapore income tax implications arising from the latest transfer pricing guidelines.

Goods and Services Tax ("GST")

GST, which is currently at 9%, generally applies to the sale and lease of commercial/industrial property where the supply is made by a GST-registered person in the course or furtherance of its business. However, where a commercial or industrial property is transferred together with an existing property-leasing business, the transfer may qualify as a transfer of a business as a going concern and therefore as an excluded transaction for GST purposes, provided the prescribed conditions are satisfied.

GST is payable on rentals derived from commercial/industrial property. The tenant may claim the GST as input tax, subject to the normal input tax recovery rules. GST is not payable on the purchase of residential property, and similarly is not levied on rentals from residential property, as these are exempt supplies.

Investors acquiring Singapore real estate should consider the applicable GST treatment, which may differ depending on the nature of the property and transaction, including whether an acquisition of commercial/industrial property may qualify as a transfer of a going concern.

Stamp duty rates

Singapore stamp duty is chargeable on, among other things, dutiable documents relating to any immovable property in Singapore. Please refer to the below for an overview of the Singapore stamp duty marginal rates (computed based on the purchase price or market value of the property, whichever is higher) for the transfer of immovable properties in Singapore.

Buyer stamp duty marginal rates for non-residential properties (on or after 15 February 2023)

Purchase price or market value (in SGD)	Stamp duty rate (in %)
0 to 180,000	1
180,001 to 360,000	2
360,001 to 1,000,000	3
1,000,001 to 1,500,000	4
1,500,001 or more	5

Buyer stamp duty marginal rates for residential properties (on or after 15 February 2023)

Purchase price or market value (in SGD)	Stamp duty rate (in %)
0 to 180,000	1
180,001 to 360,000	2
360,001 to 1,000,000	3
1,000,001 to 1,500,000	4
1,500,001 to 3,000,000	5
3,000,001 or more	6

Additional buyer stamp duty rates (on or after 27 April 2023) (only for residential properties)

Profile of buyer	ABSD rates on/after 27 April 2023 (in %)
Singapore citizens (SC) buying first residential property	n/a
SC buying second residential property	20
SC buying third and subsequent residential property	30
Singapore permanent resident (SPR) buying first residential property	5
SPR buying second residential property	30
SPR buying third and subsequent residential property	35
Foreigners (FR) buying any residential property	60
Entities buying any residential property	65
Housing Developers buying any residential property	35 plus an additional 5 (non-remittable)

Transfers of residential property to a trustee are subject to ABSD (Trust) at 65% from 27 April 2023 (35% from 9 May 2022 to 26 April 2023). ABSD remission may be available, subject to meeting conditions.

Seller's stamp duty rates for residential and industrial properties

Holding period	Residential property[1] SSD rate (in %)	Residential property[2] SSD rate (in %)	Industrial property[3] SSD rate (in %)
Up to 1 year	12	16	15
More than 1 year and up to 2 years	8	12	10
More than 2 years and up to 3 years	4	8	5
More than 3 years and up to 4 years	No SSD payable	4	No SSD payable
More than 4 years	No SSD payable	No SSD payable	No SSD payable

[1] Applicable SSD rates for residential properties acquired on or after 11 March 2017 and before 4 July 2025.
[2] Applicable SSD rates for residential properties acquired on or after 4 July 2025.
[3] Applicable SSD rates for industrial properties acquired on or after 12 January 2013.

In addition, Additional Conveyance Duties ("ACD") may apply to qualifying acquisitions or disposals of shares or units (equity interests) on or after 11 March 2017 in property-holding entities ("PHEs") that own primarily residential properties in Singapore. Broadly, the ACD provisions apply to qualifying acquisitions or disposals of equity interests by persons or entities that, together with their associates, are significant owners of the PHE or become significant owners following the acquisition, subject to detailed conditions.

With effect from 27 April 2023, Additional Conveyance Duties for Buyers ("ACDB"), comprising BSD at rates of up to 6% and ABSD at 65%, and therefore amounting to an aggregate rate of up to 71%, may apply to the buyer on the execution of instruments relating to the transfer of equity interests in a PHE. For sellers, an ACD rate of 12% may be applicable if the equity interests in a PHE were acquired between 11 March 2017 and 3 July 2025 and disposed of within three years of acquisition. For equity interests in a PHE acquired on or after 4 July 2025, ACD for sellers may apply at a rate of 16% if the equity interests are disposed of within four years of acquisition.

Investors should assess the potential stamp duty costs when structuring the acquisition and disposal of Singapore real estate, including investments made through property-holding entities, as BSD, ABSD, SSD and/or ACD may apply depending on the nature and circumstances of the transaction.

8 United Arab Emirates

Corporate Tax returns and payment

UAE Corporate Tax (CT) applies at 0% on the first AED 375,000 of Taxable Income and 9% above that threshold. Entities or branches in Free Zones can benefit from 0% CT rate on meeting prescribed conditions. The CT return must be filed, and CT paid, within 9 months of the end of the Tax Period. Transfer pricing disclosures are filed together with the return (see below).

VAT registration and filings

UAE businesses are generally required to register for VAT where their taxable supplies and imports exceed AED 375,000 over the previous 12 months or are expected to exceed that threshold in the next 30 days. A lower threshold applies for voluntary registration. Non-resident businesses making taxable supplies in the UAE may be required to register irrespective of the value of those supplies where no other person is responsible for accounting for the VAT.

Once registered, VAT returns and any related VAT payments are generally due within 28 days of the end of the relevant tax period.

Natural persons and non-resident investors

Real Estate Investment income earned by a Natural Person, whether resident or non-resident, is outside the scope of CT where the activity is not conducted, or required to be conducted, through a licence. Where a licence is required, CT does not apply unless Turnover from business activities exceeds AED 1 million.

By contrast, a non-resident juridical person deriving income from UAE Immovable Property has a nexus in the UAE and must register and pay tax on the relevant income at the standard CT rates of 9%. Any gains derived by a non-resident from the disposal of shares in a UAE-resident company, including a company holding UAE Immovable Property, is treated as UAE State Sourced Income. Where the non-resident has no UAE Permanent Establishment or other UAE nexus, such income is currently subject to 0% Withholding Tax and, by itself, does not trigger a Corporate Tax registration obligation.

This should be distinguished from a direct disposal of UAE Immovable Property by a non-resident juridical person, which creates a UAE nexus and brings the relevant income within the scope of UAE Corporate Tax.

Before year end, review licensing and holding structures for family and foreign investors, register any foreign landlord entities that have not yet registered, and document arm's length pricing.

Property transfer/ registration fees

Transfers of real estate in the UAE are generally subject to property registration or transfer fees imposed at Emirate level. The applicable rate and allocation between the buyer and seller vary by Emirate and transaction type and are generally in the range of 2%–4% of the property value. In Dubai, the current registration fee on a property sale is 4% of the sale value.

Confirm the applicable transfer or registration fee and buyer/seller allocation for the relevant Emirate before completing a property transaction.

Small Business Relief

Resident Persons with Revenue of AED 3 million or less in the current and all previous Tax Periods may elect to be treated as having no Taxable Income. It is not available to members of MNE Groups (consolidated revenue of AED 3.15 billion or more) or to Qualifying Free Zone Persons. Tax losses incurred in a relief year cannot be carried forward, and a property disposal can push Revenue above the threshold.

Test the Revenue of small property-holding entities, including any sale proceeds.

Investment property held at fair value

Where investment property is held at fair value, taxpayers may make an irrevocable election to claim annual tax depreciation at 4% of the adjusted tax value, despite no accounting depreciation generally being recognised under the fair value model.

New investors should make the election within their first return.

Transitional relief for pre-CT gains

Taxpayers that held Immovable Property, held at historical cost, before their first Tax Period could elect in their first return to exclude pre-CT gains on disposal. The excluded gain is calculated using either the valuation method (based on the Market Value set by the competent authority, e.g. Dubai Land Department) or the time apportionment method. The election is made property by property, and the relief cannot create a tax loss.

For 2026 disposals, including developer revenue released under IFRS 15, update the transitional relief schedule and keep valuation evidence, ownership dates and the computation on file.

REITs and Qualifying Investment Funds

A REIT may apply to be exempt as a Qualifying Investment Fund if:

- the value of its Immovable Property, excluding land, exceeds AED 100 million;
- at least 20% of its shares are floated on a Recognised Stock Exchange, or it is wholly owned by two or more unrelated institutional investors; and
- it holds on average at least 70% rental-generating Immovable Property.

Although a qualifying REIT or other Qualifying Investment Fund may itself be exempt from Corporate Tax, UAE Immovable Property Income, may still be taxable at the level of its juridical person investors. In the case of a REIT, a juridical investor (both resident and non-resident) is generally taxed on 80% of its proportionate share of the REIT's Immovable Property Income, **rather than on the amount actually distributed to the investor**. Similar treatment applies to other Qualifying Investment Funds where more than 10% of the fund's assets comprise UAE Immovable Property.

Where at least 80% of the relevant Immovable Property Income is distributed within nine months of the fund's year end, the investor's UAE tax nexus and the timing of taxation generally follow the distribution. Investors that exit before the distribution are not taxed on that income. Exempt funds are also treated as having made the 4% tax depreciation election.

Monitor the 70% asset test quarterly, schedule 2026 distributions for completion by 30 September 2027 (for December year-ends), and give investors the data they need for their returns.

Interest deduction limitation

Net Interest Expenditure is deductible up to 30% of tax EBITDA, but the limit does not apply where Net Interest Expenditure does not exceed AED 12 million. Disallowed amounts can be carried forward for 10 Tax Periods. Separate restrictions apply to interest on Related Party loans.

Model the 2026 EBITDA capacity of leveraged property SPVs. Consider Tax Group formation or refinancing before year end where net interest exceeds AED 12 million.

Transfer pricing

All Related Party and Connected Person transactions must be at arm's length. For real estate businesses, this is particularly relevant to intercompany transfers of land and properties, development and construction arrangements, property management services, leasing arrangements, financing transactions, cost allocations and management fees, where appropriate benchmarking or valuation support may be required.

In addition, the TP disclosure form is filed with the CT return; in case the aggregate value of Related Party transactions exceeds AED 40 million or payments to Connected Persons above AED 500,000. A Master File and Local File are required to be maintained on a contemporaneous basis where Revenue of the taxable person is AED 200 million or more, or where the taxable person is part of an MNE Group with a consolidated revenue of AED 3.15 billion or more.

Before closing the 2026 accounts, review the related party transactions, and update the benchmarks where needed.

Pillar Two – Domestic Minimum Top-up Tax

Effective 1 January 2025, the UAE Domestic Minimum Top-up Tax (DMTT) of 15% applies to MNE Groups with consolidated revenue of EUR 750 million or more in at least two of the four preceding years. The DMTT holds transitional qualified status with the OECD. Top-up Tax Returns are due 15 months after year end, or 18 months for the first Transition Year.

Register for Top-up Tax, assess safe harbours and the real estate investment vehicle rules, and prepare the FY2025 return due 31 March 2027 or 30 June 2027 (FY2026: 31 March 2028).

VAT on real estate

The first supply of a residential building, whether by sale or lease, within 3 years of completion is zero-rated, so VAT on construction costs is fully recoverable. Later residential supplies are exempt, as are supplies of bare land. Commercial property, serviced apartments and covered land are standard-rated at 5%. On the sale of commercial property by a non-developer, the buyer must pay the VAT to the FTA before the ownership transfer is registered with the Land Department. Purchases of buildings costing more than AED 5 million are capital assets and must be monitored for changes in use over 10 years.

Track completion dates and first supplies, review VAT recovery on mixed-use assets, and record any change in permitted use before year end.

E-invoicing

Mandatory B2B and B2G e-invoicing through an Accredited Service Provider (ASP) is being phased in. Businesses with Revenue of AED 50 million or more must appoint an ASP by 30 October 2026 and go live by 1 January 2027. Businesses below that threshold must appoint an ASP by 31 March 2027 and go live by 1 July 2027. Holding entities that recharge costs are in scope. Late implementation incurs a penalty of AED 5,000 per month.

Appoint an ASP and complete ERP readiness for all landlord and SPV entities. Each Tax Group member must onboard separately.

03 America

1 Canada

Corporate Income Tax Rates

The combined federal and provincial/territorial corporate income tax rates for the 2026 taxation year range from 23% to 30%, depending on the province or territory. The combined rates include the 15% federal rate plus the provincial or territorial rate which is applied when income is earned in one of Canada's ten provinces and three territories.

Capital Cost Allowance (Tax Depreciation)

Non-residents are generally subject to the same rules relating to depreciable property and capital cost allowance ("CCA") as for residents of Canada. CCA on rental buildings, including additions or component replacements of a capital nature, is calculated on a declining balance basis at an annual rate between 4% and 6%, depending on type of property. Additionally, several recent legislative regimes (subject to phase out) may allow for higher CCA on certain eligible properties depending on the timing of construction and availability for use. Specifically, newly constructed purpose-built rental projects that began construction after 15 April 2024 and before 2031, and are available for us before 2036, are eligible for an accelerated CCA of 10%. CCA is calculated on a pool basis, with separate pools prescribed for different asset classes. Each rental buildings costing more than CAD 50,000 is included in its own separate tax pool. CCA is a discretionary deduction, up to an annual maximum amount, but cannot be claimed on a rental property to create or increase a tax loss unless the CCA claim is being made by a corporation, the principal business of which is the leasing, rental, development or sale of real property, or a partnership, the partners of which are all such corporations.

Canada has recently announced plans to implement the Productivity Mega Deduction ("PMD") which would allow immediate expensing of 100% of the cost of a wide range of depreciable property that is acquired and available for use after 14 September 2026. Buildings are specifically excluded from the PMD, however, other expenditures for leasehold improvements, equipment, and furniture and fixtures that are incurred as part of the construction and operation of real estate in Canada may be eligible.

Consider conducting a detailed cost segregation analysis to determine if expenditures may qualify for accelerated CCA.

Thin Capitalisation Rules

The Canadian thin capitalisation rules may apply when the lender to a Canadian corporation or trust (or a corporation or trust that is not resident in Canada but carries on business in Canada or has elected to pay tax on passive income from Canadian real property as if it was a resident of Canada) is a non-resident person that alone or with other related persons owns more than 25% of the Canadian corporation's shares (or has more than 25% by value of all interests in the trust), and interest expense on the loan would otherwise be deductible to the corporation or trust. If the ratio of these debts to a measure of equity exceeds 1.5/1, the interest on the excess is not deductible. Special rules can address debts owing by a partnership, including in respect of back-to-back arrangements.

Interest expense of a Canadian corporation disallowed under the thin capitalisation rules will be deemed to be a dividend subject to Canadian non-resident withholding tax of 25%, which may be reduced under a tax treaty.

Consider modelling the impact of proposed cash repatriations (i.e. dividends or returns of capital) on the corporation's ratio of debt to equity to ensure that the thin capitalization requirements are met.

Excessive Interest and Financing Expense Limitation

The Excess Interest and Financing Expense Limitation ("EIFEL") rules which limit interest deductibility in Canada, are generally consistent with the recommendations under BEPS Action 4, and apply in addition to existing interest limitations including the thin capitalisation rules. The rules limit the amount of deductible net interest expense to no more than a fixed ratio, being 30%, of its "tax EBITDA". Exemptions and elections may be available to allow for deductions in excess of the fixed ratio. Interest denied under the EIFEL may be carried forward indefinitely to the extent there is capacity for additional interest deductions during the relevant years. The Government of Canada has released draft legislation to provide an elective exemption for the EIFEL rules not to apply to certain interest and financing expenses relating to arms-length debt used to finance purpose-built rental housing.

Consider modelling the proportion of interest that may not be deductible over the lifecycle of the investment, and consider whether changes to debt structure may be beneficial.

Disposition of Property by Non-Residents

A non-resident that disposes of taxable Canadian property (TCP) that is held as capital property is subject to Canadian tax on the taxable portion of any resulting capital gain (proceeds of disposition less capital cost of the property). TCP generally includes real property situated in Canada and shares of the capital stock of an unlisted corporation, or an interest in a partnership or trust, if at any time during the previous 60-month period, more than 50% of the value of the share or interest was derived from real property situated in Canada. In addition, previously deducted CCA may be taxable as recaptured depreciation. TCP held on account of income (e.g., inventory) is subject to tax on the full amount of any profit from a disposition, subject to possible tax treaty relief.

Generally, a non-resident vendor of TCP must report the disposition to the Canada Revenue Agency (CRA) and obtain a clearance certificate in respect of the disposition. If no certificate is obtained, the purchaser is required to withhold and remit to the CRA either 25% or 50% (in the case of land that is not capital property, or of a building or other depreciable property) of the gross sales proceeds. Relief from the reporting and withholding requirements may be available in certain cases. In addition to the federal reporting and withholding obligations noted above certain provinces within Canada have separate reporting and withholding requirements, subject to available relief provisions.

Determine whether property disposed of TCP and understand the Canadian reporting requirements.

Losses Carried Forward

Non-capital losses incurred in a taxation year from a business carried on in Canada are deductible from income, other than passive income from property earned by a non-resident. If these losses are not used in the year they are incurred, they can be carried back three years and forward 20 years. Capital losses, resulting from the disposition of taxable Canadian property of a capital nature, can be carried back three years and forward indefinitely to reduce taxable capital gains realized on the disposition of taxable Canadian property in those years.

Where a Canadian corporation (similar rules exist for trusts) is subject to a change of control (an acquisition of control or “AoC”), the use of that corporation’s non-capital losses is restricted. They can generally only be deducted if the business that gave rise to the losses continues to be carried on by the corporation for profit or a reasonable expectation of profit, and the amount claimed does not exceed income from that business or a similar business. To the extent that the non-capital losses relate to property losses, they expire on an AoC and cannot be carried forward, similarly capital losses also expire on an AoC.

Consider the implications of a change in control on a corporations losses, and consider planning to mitigate expiry of losses.

Withholding Tax

Certain amounts paid or credited by a Canadian resident entity to non-residents are subject to withholding tax of 25% of the gross amount paid or credited. These amounts may include interest paid to related parties, dividends, rents, or royalties. The withholding tax rate may be lower subject to relevant tax treaties. Interest paid to arm’s length non-resident lenders is generally exempt from Canadian withholding tax, unless paid in respect of a participating debt arrangement.

Additionally, a non-resident that makes payments to another non-resident may be deemed to be a Canadian resident for the purposes of withholding tax, in respect of payments made to the other non-resident person to the extent that those payments are deductible in computing the non-resident payer’s Canadian-source income (including passive rental income).

Transfer pricing

Canadian transfer pricing legislation and administrative guidelines are generally consistent with OECD Guidelines and require that transactions between related parties be carried out under arm's length terms and conditions.

Canada recently enacted changes to its transfer pricing legislation, which can significantly impact transfer pricing analysis and documentation in Canada. The amended provisions more closely align with OECD transfer pricing guidance, expand CRA adjustment authority, and shorten timelines to provide documentation after a CRA request.

Taxpayers should consider whether the updated legislation affects their transfer pricing analysis, documentation and policies and procedures in the context of the legislative changes, and the extent to which any remediation measures are required.

Transfer Tax and Sales Tax

Various provinces and territories and some Canadian municipalities levy a land transfer tax or registration fee on the purchaser of real property (land and buildings) within their boundaries. Rates may be up to 5% of the property value depending on the city in Canada and type of property. The tax is generally payable at the time the legal title of the property is registered or on the transfer of a beneficial interest. Additional transfer taxes in certain cities of Ontario and British Columbia, and in Nova Scotia may be levied on non-residents that acquire residential property, with rates up to 20% to 25% of the property value.

Purchasers should understand their transfer tax obligations before closing of any real property acquisitions. Also, transfer taxes should be considered in the course of any contemplated restructurings to ensure they are not inadvertently triggered.

Goods and Services Tax

The 5% federal goods and services tax (GST) will apply on the purchase of real property (except, in most situations, used residential property) and on certain expenses incurred in connection with the operation of the property, although the GST paid is usually recoverable (subject to significant restrictions in respect of residential rental properties). In most cases, a landlord is required to collect and remit GST on commercial rents received. However, a non-resident vendor of real property is not generally required to collect GST on the sale of real property. Some provinces have harmonized sales tax (HST) regimes that operate similar to GST but at higher rates ranging from 13% to 15%. An enhanced GST/HST rebate for newly constructed multi-unit residential rental properties that begin construction after 13 September 2023 and before 1 January 2031 and are completed by 31 December 2035 may be available.

Taxpayers considering multi-unit residential rental property projects should assess whether they can qualify for the enhanced GST/HST rebate.

Residential Real Property Ownership Restrictions

Effective 1 January 2023, foreign-controlled commercial enterprises and individuals who are not Canadian citizens or permanent residents were prohibited from acquiring residential property in certain areas within Canada for 2 years, subject to certain exceptions. This measure was extended to 1 January 2027. Also, effective 1 January 2023, profits arising from certain dispositions of properties owned for less than 12 months are deemed to be business income, rather than a capital gain.

It is unclear whether the government will seek to extend this ban beyond 1 January 2027. Foreign buyers of residential property should consider these rules.

Hybrid Mismatch Rules

In 2026, Canada released draft legislation to implement the second package of the hybrid mismatch rules. The first package of hybrid mismatch rules were implemented in 2022, and targeted deduction/non-inclusion mismatches related to hybrid financial instruments, hybrid transfer arrangements, and substitute payment arrangements. The second package focuses on the hybrid treatments of entities that give rise to either a deduction/non-inclusion mismatch, or a double deduction mismatch. Both sets of rules are intended to implement the relevant recommendations of the OECD Action 2 Report.

The rules in the second package are proposed to apply in respect of payments arising after 30 June 2026, and there is no grandfathering for transactions and arrangements put in place before July 2026.

The Second Package adds a significant amount of complexity to what is already a complex set of rules. Taxpayers should review the proposed new rules and determine whether they could apply to their existing arrangements.

2 Costa Rica

Tax reform

In 2019, Costa Rica enacted Law No. 9635, which introduced for the first time a 15% capital gains tax applicable to the transfer of real estate, shares, and other capital assets. The reform also established rules to distinguish between ordinary income from habitual real estate transactions (taxed at corporate rates) and capital gains from occasional sales (taxed at the flat 15%). In addition, the law reinforced anti-avoidance measures and clarified that exemptions apply, for example, to the transfer of a taxpayer's primary residence. If the assets were acquired before the 2019 reform, at the time of purchase, a 2% tax rate may be applied instead of 15%.

Books vs. tax depreciation

For accounting purposes, companies may apply IFRS rules and use different depreciation methods according to their policies. However, for tax purposes, Costa Rican law requires depreciation to be calculated strictly under the straight-line method, applying the maximum percentages authorized by the Ministry of Finance. Accelerated depreciation or inflationary adjustments are permitted just in specific cases according to the annex of the law. Any impairment or revaluation recognized for accounting purposes must be excluded from the tax base, as only statutory depreciation is deductible.

Alternative minimum tax

Costa Rica does not impose an alternative minimum tax regime. Corporate income is taxed under the general income tax framework, with progressive rates according to their gross income and a flat 30% rate when the amount specified in the law is exceeded. Consequently, companies are not required to pay a minimum percentage of gross income as tax; taxation is solely determined by net taxable profits, unless they are subject to special regimes such as the Free Trade Zone Regime.

Asset impairment

Impairment losses recognized under IFRS cannot be deducted for income tax purposes. Taxpayers must reverse these accounting adjustments when determining their taxable base. This reflects the principle that only realized losses or statutory depreciation can reduce taxable income.

Goodwill

Goodwill arising from the acquisition of a business or assets is not amortizable or deductible for income tax purposes. However, in the case of future disposal of the business, the amount effectively paid as goodwill may be recognized as part of the cost of acquisition, reducing the taxable capital gain. This approach ensures that goodwill is not deducted twice—once as amortization and again through capital gains adjustments.

Non-deductibility of payments made to preferred tax regimes

Payments made to related parties located in jurisdictions classified as non-cooperative or considered low tax by the Costa Rican Ministry of Finance are subject to strict deductibility requirements. To deduct such payments, the taxpayer must demonstrate that the transaction is genuine, necessary, and at arm's length. Absent such proof, the deduction will be denied.

Classification of real estate acquisition

The classification of real estate is critical. If property is acquired for resale as part of the taxpayer's ordinary business activity, it is treated as inventory and income from its sale is considered ordinary income subject to corporate tax. If property is acquired for long-term use or investment, it is treated as a fixed asset, subject to depreciation, and any subsequent disposal generates a taxable capital gain subject to the 15% flat rate. The distinction between ordinary income and capital gains depends on the "habituality" of the transactions.

Thin capitalization rules

Costa Rica does not apply a formal debt-to-equity thin capitalization ratio. Instead, the deductibility of interest is limited by a general earnings-stripping rule. This operates as a functional equivalent to thin capitalization rules, as it restricts the extent to which companies may reduce taxable income through debt financing.

Limitation on deducting interest expense

Costa Rican legislation authorizes the full deduction of interest on loans paid to banking institutions in Costa Rica and abroad, provided the transaction is conducted with a supervised banking entity.

On the other hand, non-banking financing operations, or those between private parties, are subject to a deductibility limit of 22% (applicable for 2026) of EBITDA for the fiscal period in which the deduction is applied.

Costa Rican legislation allows non-financial interest amounts that exceed the limit to be carried forward which may be deductible in the following fiscal periods, always respecting the applicable limit (i.e., 24% for 2025, 22% for 2026, and 20% from 2027 onward).

Foreign Transparent Vehicles in Costa Rica

In Costa Rica, there are not special rules for transparent entities. Foreign entities conducting businesses in Costa Rica are deemed as taxpayers in Costa Rica and considered as separate entities independently of the business being conducted.

Reportable schemes

Costa Rica does not have in place a "Reportable Schemes" regulation as it is used in other jurisdictions to report "high-risk" business structuring for tax purposes.

However, please consider that Costa Rica has enacted the law for reporting Ultimate Beneficial Owners (UBO), filed annually, with the information of the corporate structure until the ultimate beneficial owners which is reported to the authorities.

General anti-abuse rule (GAAR)

Costa Rican tax law includes a General Anti-Abuse Rule (GAAR). Under this provision, the Tax Administration may disregard or recharacterize transactions that lack economic substance and are primarily designed to obtain a tax benefit. In such cases, taxation is applied based on the economic reality of the transaction rather than its legal form.

Transfer pricing

Recently, the Tax Administration established the obligation to file the transfer pricing informative return annually, within six months after the end of the fiscal period for the Income Tax.

All taxpayers subject to Income Tax (legal entities and individuals engaged in profit-making activities) are required to file this return if any of the following conditions are met:

1. Large Taxpayers who carry out domestic or cross-border transactions with related companies.
2. Taxpayers subject to the Free Trade Zone regime who carry out domestic or cross-border transactions with related companies.
3. Taxpayers who carry out domestic or cross-border transactions with related companies and who, separately or jointly, exceed the equivalent of one thousand base salaries in the corresponding year, which in dollars represents an approximate amount of USD 906,000.00

Pension fund exemption

Costa Rican legislation does not provide a general tax exemption for foreign pension funds investing in local assets. Unless specifically covered by a tax treaty, income such as interest, rental payments, or capital gains derived from Costa Rican sources is subject to local taxation. Domestic pension funds, however, may enjoy preferential treatment under local law.

Costa Rican REITs

Costa Rica does not have a specific legal framework equivalent to REITs. Investment vehicles holding real estate are generally taxed according to their legal form, either as corporations or trust, which are both subject to income tax.

Tax incentive for real estate developers

Costa Rica does not provide specific nationwide tax incentives for real estate developers. However, projects that qualify under the Free Trade Zone Regime may obtain full or partial exemptions from income tax, customs duties, and capital gains tax, provided they meet export, employment, and investment requirements. Some municipalities may also grant property tax exemptions for development projects in designated areas.

Labor Outsourcing

Labor outsourcing is not prohibited in Costa Rica, and it is a common practice. For tax purposes, if the outsourcing can be linked to income generation for the taxpayer, the amounts paid might be considered as a deductible expense. However, please consider that labor authorities in Costa Rica are highly protective of employees' rights. There have been cases where labor courts agreements and assigned employer liability to the contracting party, recognizing it as the de facto employer due to the nature of the working relationship and level of control exercised over the outsourced personnel.

3 Mexico

Tax developments

The 2027 Economic Package proposes changes to Mexican income tax deductions, tax loss utilization, interest expense and cross-border payments. As of 25 October 2026, the relevant bills had been approved by the Chamber of Deputies but had not completed the legislative process in the Senate. The provisions described below remain proposals and are subject to enactment and final effective dates.

Real estate investors should monitor the legislative process and evaluate the effect of the proposed rules on their 2027 investment, financing and tax projections before finalizing year-end plans.

Proposed deduction and tax loss limitations

Proposed Articles 78-A through 78-F of the Income Tax Law would introduce additional limits for certain Mexican corporations with taxable income exceeding MXN 50 million and positive tax profit, subject to exclusions. Depending on the ratio of deductions to taxable income, the deductible amount could be limited to 99% of otherwise authorized deductions or 96.67% of taxable revenue. Use of prior-year tax losses would generally be capped at 50% of the relevant tax profit. Deductions disallowed under the proposed limitation could be carried forward for up to 20 subsequent fiscal years, subject to specific conditions and separate from tax loss carryforwards.

Model the proposed restrictions for each potentially affected Mexican real estate entity, including projected taxable income, tax loss balances, eligibility for exclusions and 2027 cash-tax consequences.

Classification of real estate and tax depreciation

The Mexican income tax treatment of real estate depends on the property's use and applicable tax classification. Property held for sale generally gives rise to cost-of-sales considerations, while qualifying buildings used in leasing or other business activities may be depreciated at statutory rates. Land is generally not depreciable, without prejudice to the separate election available to qualifying developers. Tax depreciation is adjusted for inflation and may differ from book depreciation.

Reconcile the 2026 asset register and tax basis, verify the treatment of land, buildings and improvements, and confirm that depreciation and cost-of-sales deductions follow the actual intended use of each property.

Thin capitalization and net interest deductibility

Interest on foreign related-party debt may be restricted by the 3:1 thin capitalization rule. Separately, Article 28, section XXXII, generally restricts net interest deductions in excess of 30% of adjusted tax profit, subject to the MXN 20 million threshold and statutory exceptions; the proposed 2027 amendments would reduce that percentage to 20%. Importantly for real estate investors, an exception may apply to qualifying debt financing construction in Mexico, including land acquired for such construction. Financing may also produce annual inflation adjustments and foreign-exchange effects.

Review the debt-to-equity ratio, use of loan proceeds, applicable construction exceptions and net interest calculations; model the proposed 20% ceiling only for financing to which the rule applies.

Transfer pricing and restructuring compliance

Related-party loans, management services, leases and other transactions must satisfy Mexican arm's-length standards and applicable documentation requirements. Separately, certain transactions may trigger reportable-scheme obligations, while the general anti-abuse rule may affect reorganizations lacking a business purpose. These are distinct analyses and their applicability depends on the facts.

Review the pricing and documentation of 2026 related-party transactions, identify applicable 2027 filings, and separately document the business rationale and disclosure analysis for significant restructurings.

Foreign investment vehicles and treaty eligibility

Mexican rules address the treatment of foreign fiscally transparent entities and arrangements and may treat foreign entities as Mexican tax residents when their effective place of management is in Mexico. Treaty eligibility or statutory exceptions for particular investment vehicles depend on their specific characteristics and the applicable treaty. Beneficial ownership requirements should be assessed where relevant rather than assumed to apply universally.

Verify the legal and tax classification of each investment vehicle, its tax residence and any applicable treaty requirements, registration or reporting obligations before investments or distributions.

Pension fund exemption

Qualifying foreign pension and retirement funds may be exempt from Mexican income tax on certain real estate rental income and capital gains where applicable conditions are met, including beneficial ownership and exemption of the relevant income in the fund's home jurisdiction. For qualifying disposals, a four-year prior leasing period may be required. Special conditions apply to holdings through Mexican companies, and the exemption does not extend automatically to property held as inventory.

For planned 2027 exits, verify fund status, beneficial ownership, home-country exemption, applicable leasing period, property classification and supporting documentation before relying on the exemption.

Mexican REITs (FIBRAs)

Qualifying publicly traded Mexican real estate investment trusts (FIBRAs) benefit from a special regime, including investment, minimum holding-period and distribution conditions. Generally, at least 95% of the prior year's taxable result must be distributed by 15 March. The proposed 2027 Federal Revenue Law includes a mechanism to adjust that minimum distribution percentage where proposed Article 78-B increases a FIBRA's taxable result through the new deduction limitation.

Confirm ongoing eligibility and distribution requirements, examine disposals or contributions planned for 2027, and assess the potential impact of the proposed deduction limitations and FIBRA-specific distribution adjustment on future taxable income and distribution obligations.

VAT recovery and pre-operating expenditures

Sales of land and qualifying residential buildings, together with certain residential leases, are generally VAT-exempt, whereas sales of commercial buildings and commercial leases are generally taxable. Mixed taxable and exempt activities may restrict input VAT recovery. Special VAT credit or refund mechanisms exist for qualifying pre-operating expenditure and may require a subsequent adjustment when actual taxable-activity proportions become known.

Review the allocation of 2026 input VAT and supporting invoices; assess pre-operating VAT credits or refunds and determine whether any adjustment is required after operations commence.

Cross-border payments and advance expenses

Payments to foreign related parties or under structured arrangements may be non-deductible where the corresponding income is subject to a preferred tax regime, subject to exceptions. The proposed 2027 amendments would also affect the timing of deductions for certain service and lease advances and require payments to non-residents to be actually made, together with compliance with the corresponding withholding obligations, before the related deduction may be claimed. Under the proposed rules, withholding obligations could arise before the corresponding expense becomes deductible.

Identify significant cross-border payments and advances before the 2026 close; reconcile contracts, withholding, payment evidence and applicable treaty or domestic-law support, and assess any proposed timing changes for 2027.

Land purchases and investment incentives

Article 191 of the Income Tax Law allows qualifying developers to elect to deduct the acquisition cost of land intended for real estate developments for sale in the acquisition year. Conditions include deriving at least 85% of taxable revenues from real estate development, applying the election consistently for at least five years, and recognizing subsequent income amounts or recapture where applicable. Separately, the January 2025 Plan Mexico decree offers accelerated deductions for specified new fixed assets, including certain construction assets, subject to eligibility, approval and asset-use requirements; it does not automatically cover land.

For 2026 land acquisitions and planned 2027 investments, verify eligibility, subsequent income-recognition requirements, applicable deduction percentages and required approvals before electing an incentive.

Acquisitions, disposals and local taxes, as well capitalization of debts

Acquisitions and disposals of Mexican real estate can produce different income tax, VAT and local transfer-tax consequences depending on whether the transaction involves assets or shares, the seller's residence and the underlying property. Mexican tax may also arise on certain disposals of shares in property-rich entities. The proposed 2027 amendments would also restrict the amounts that may increase the capital contribution account (CUCA) and share tax basis upon capitalization of liabilities, particularly with respect to accrued but unpaid interest and related VAT.

For year-end or 2027 transactions, compare asset and share deal consequences, verify tax basis and withholding requirements, consider any debt-capitalization effects and confirm applicable local taxes before closing.

4 United States

Qualified Opportunity Zones (QOZ)

Notable Provisions

- The QOZ incentive is now permanent, with new zones to be designated every 10 years beginning on July 1, 2026, and new census tracts going into effect on 1 January 2027.
- If a QOF investment is held for at least five years, investors receive a 10% basis step-up on the deferred eligible gain, replacing the prior tiered regime of a 10% step-up after five years and 15% after seven years.
- The One Big Beautiful Bill Act established a "qualified rural opportunity fund," which provides certain enhanced benefits for funds that hold at least 90% of their assets in qualified opportunity zone property, directly or through other ownership interests, located in rural areas.
  - Investors in qualified rural opportunity funds may receive a 30% basis step-up on deferred gains after five years, compared with the standard 10%, and benefit from a reduced substantial improvement threshold of 50%, rather than the general requirement to double the basis.
- The new legislation preserves the election to step up the basis of QOF investments held for at least 10 years to fair market value upon sale or exchange. It also introduced an election to step up the basis of investments held for at least 30 years to fair market value without requiring a disposition.

Expanded Reporting Requirements

- If finalized, proposed regulations would broaden reporting requirements for both QOFs and qualified opportunity fund businesses ("QOZB") and include:
  - Required reporting would extend beyond asset values and census tract data to include employee and residential-unit information, NAICS codes, property acquisition and improvement dates, working capital safe harbour information, QOZB compliance attestations, and detailed investor acquisition and disposition data.

QOF sponsors may want to evaluate whether current governance, accounting, investor-recordkeeping, and compliance systems are positioned to produce the required information.

Artificial Intelligence (AI) and Digital Infrastructure

Overview

- Digital infrastructure has emerged as one of the more capital-intensive asset classes in commercial real estate, driven by the rapid growth of AI. Several of the largest global fund sponsors have deployed significant capital into data centre development, acquisition, and joint ventures, while the proliferation of publicly traded data centre REITs has broadened investor access to the sector. As institutional capital continues to flow into this space, the tax and regulatory landscape is shifting in ways that warrant close attention heading into year end.

REIT Structuring and Compliance

- As data centre REITs continue to scale, quarterly and annual compliance with REIT asset and income tests remains essential. Data centres may require large up-front purchases of personal property, construction in progress, equipment deposits, and uninstalled components, any of which could adversely impact quarterly real estate asset testing, if not attentively considered and monitored.
- Whether data centre revenue qualifies as rents from real property versus service income or personal property income depends on how the property and related operating arrangements are structured and the extent of services bundled into tenant leases. Careful review of tenant lease arrangements is warranted, as revenue streams for power, cooling, monitoring, remote hands, and similar services could give rise to impermissible tenant service income for REIT income testing purposes.
- The restoration of the taxable REIT subsidiary ("TRS") asset threshold to 25% (from 20%) provides additional flexibility to house service-related activities, but sponsors should review their TRS asset positions and income mix before year end to assess ongoing REIT qualification. Additionally, related party rent considerations may arise where an investor holds positions in both the tenant and the landlord.

Federal Regulatory Considerations

- Federal lawmakers have increasingly focused on energy consumption, environmental impact, and economic footprint of large-scale data centre operations. Lawmakers from both political parties have introduced proposals addressing data centre energy use, tax treatment, and grid impacts. These proposals have included limiting bonus depreciation for certain AI data centres; restricting access to Opportunity Zone tax benefits; excluding certain rents paid by new data centres from the tax-favorable REIT regime; and imposing a gross receipts excise tax. None of these proposals have been enacted, but collectively they reflect increased congressional attention to the sector's tax treatment and energy demands.

State Regulatory Considerations

- At the state level, a growing number of jurisdictions are reassessing tax incentives historically used to attract data centre investment, including sales tax exemptions, property tax abatements, and other economic development incentives. Some states have scaled back or modified existing programs amid increased focus on energy demand, infrastructure costs, and the economic benefits associated with data centre development.
  - Virginia, for example, imposed a temporary electricity consumption tax of $0.011 per kilowatt-hour on certain data centre operators, effective July 1, 2026, through June 30, 2028. Annual revenues deposited into the general fund are limited to $600 million, with excess collections generally available for refunds to data centre operators.

A year-end review of REIT asset and income test compliance may be appropriate for data centre portfolios, including lease-by-lease revenue classification, particularly where facilities provide managed services, interconnection, or hybrid cloud arrangements that could affect qualifying income treatment.

IRC §892

On 15 December 2025, Treasury and the IRS published final and proposed regulations under §892, which governs U.S. tax exemption for foreign governments and their controlled entities, including sovereign wealth funds ("SWF") and government-sponsored pension funds. Key aspects of the regulations include, but are not limited to:

Final regulations

- U.S. Real Estate Holding Company ("USRPHC") Relief
  - The rule deeming a USRPHC to be engaged in commercial activity now applies only to U.S. corporations. Previously proposed regulations extended to non-U.S. corporations that would be USRPHCs, if they were organized in the U.S.
- Qualified Partnership Interest ("QPI") Exception
  - The limited partner exception from earlier regulations was finalized through the QPI exception. A QPI generally includes any equity interest in a partnership for U.S. tax purposes, provided that, throughout the partnership's taxable year, the SWF:
    - Has no personal liability for partnership obligations;
    - Lacks authority to bind or act on behalf of the partnership;
    - Does not control the partnership; and
    - Has no right to participate in the management or conduct of the partnership's business.

- Applicable investors and sponsors should also be mindful of:
  - Aggregation rule
    - A SWF's multiple direct and indirect interests in a partnership are aggregated for purposes of determining QPI status.
  - De Minimis safe harbour
    - Under the final regulations, a SWF will generally be treated as holding a QPI if, in addition to satisfying the other applicable requirements, it owns no more than 5% of the partnership's capital or profits, directly or indirectly.
  - Tiered Partnerships
    - QPI status is determined separately at each level of a tiered partnership structure, working from the bottom up. If an upper-tier partnership's interest in a lower-tier partnership qualifies as a QPI, the lower-tier partnership's commercial activities generally do not "tier up" to the upper-tier partnership.

Proposed regulations

- Lending activities
  - Debt acquisitions are presumptively commercial activity unless:
    - Safe Harbours
      - The debt is acquired in a registered offering or is traded on an established securities market.
    - Facts-and-Circumstances
      - Based on the relevant facts-and-circumstances, the debt qualifies as an investment activity.
    - Attribution
      - Actions taken by an agent or other person acting on behalf of the SWF are generally attributed to the SWF for these purposes.

- Effective control
  - The proposed regulations also provide the IRS's first detailed published guidance on when a SWF may be treated as having "effective control" of an entity for purposes of the controlled commercial entity rules. Effective control is generally based on all relevant facts-and-circumstances. Mere consultation rights, by themselves, generally do not constitute effective control.

Existing and planned debt investments may warrant review against the proposed commercial activity rules before capital is committed in 2027.

Partnership governance rights and QPI qualification across tiered structures may warrant review before 31 December 2026.

Domestically Controlled REITs – Ownership and exit planning

"Domestically controlled" status generally allows non-U.S. investors to sell REIT shares without triggering tax under the Foreign Investment in Real Property Tax Act (FIRPTA). To qualify, foreign persons must hold, directly or indirectly, less than 50% of the REIT's stock by value throughout the applicable testing period, which is generally the shorter of the five-year period ending on the sale date or the REIT's existence. A year-end ownership snapshot is therefore insufficient, and changing ownership shortly before an exit does not automatically remedy a historical failure to satisfy the test.

The FIRPTA exemption for gains on the sale of stock in a domestically controlled REIT remains one of the most significant tax advantages available to non-U.S. investors in U.S. real estate. Final regulations issued in April 2024 introduced a look-through rule for certain non-public domestic C corporations that are more than 50% foreign-owned by value, subject to transition relief for qualifying existing structures. Under this rule, REIT ownership attributable to the corporation's foreign shareholders is counted as foreign ownership, potentially preventing the REIT from qualifying as domestically controlled. However, proposed regulations published on October 20, 2025, would remove this domestic corporation look-through rule and treat domestic C corporations as U.S. owners for this purpose, regardless of their shareholders' residence. Taxpayers may rely on the proposed regulations before finalization, providing an opportunity to reassess structures affected by the 2024 rules. The proposals change how ownership is counted, not the requirement to satisfy the domestic control test throughout the applicable testing period.

REITs anticipating a disposition or liquidity event in 2027 may want to consider compiling and documenting their domestically controlled determination as of 31 December 2026.

Self-employment tax and year-end considerations

The self-employment tax exemption for limited partners under §1402(a)(13) has long been a critical planning tool for real estate fund managers. The exemption provides that a limited partner's distributive share of partnership income is generally excluded from self-employment tax.

On 17 September 2026, the U.S. Court of Appeals for the Second Circuit affirmed the Tax Court's decision in Soroban Capital Partners LP v. Commissioner, holding that fund managers who held limited partner interests in a state-law management company, but who actively managed and controlled its business, were not "limited partners" for purposes of the exemption. The decision focuses on the individual's functional role, whether they are a passive investor or are providing services integral to the partnership's business, rather than the label attached to the interest. Other courts of appeals have recently taken a broadly similar functional approach, and further appeals are still pending. The decision may also be challenged further, so the law is not yet fully settled.

The implications for real estate fund managers that should be given attention include:

- Management company structures
  - Fund managers receiving carried interest or management fees through an LLC or LLP taxed as a partnership should reassess whether their distributive share qualifies for the exemption. When the individual is actively involved in investment decisions, deal sourcing, asset management, or investor relations, the exemption may not apply.
- Dual-capacity partners
  - Individuals who serve in both a service capacity and hold a co-investment interest may need to analyse whether income attributable to each role can be bifurcated, or whether the service role taints the entire distributive share.
- Classification as a limited partner or non-managing member under state law does not control the federal tax analysis.

Fund managers may want to consider reviewing their compensation structures and limited-partner exemption positions ahead of filing 2026 tax returns.

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