

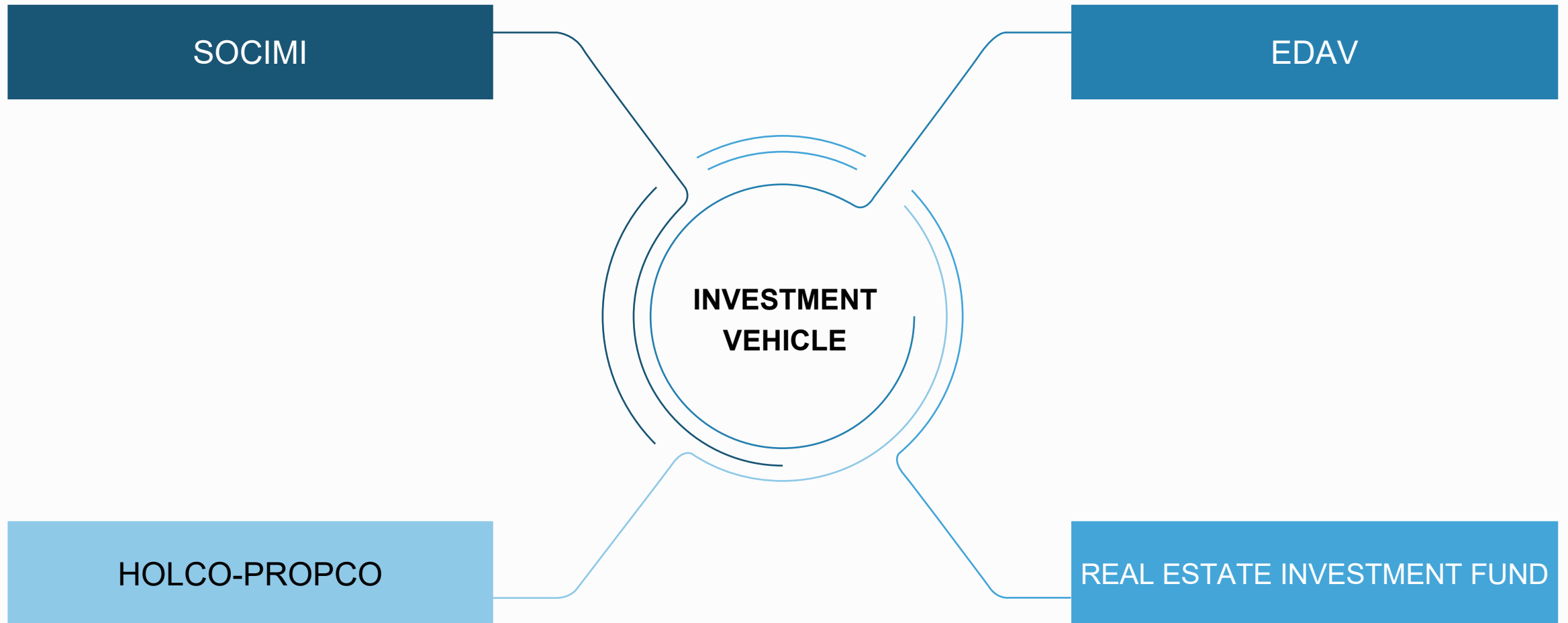
C L I F F O R D
C H A N C E

IBERIAN INVESTMENT BRIEFING – WHY IBERIA?

INVESTMENT VEHICLES IN SPAIN – OPPORTUNITIES FOR INVESTORS

28 JUNE 2023

INVESTMENT VEHICLES ALTERNATIVES



INVESTMENT VEHICLES

HoldCo – PropCo

Key characteristics:

Application of the general 25% CIT tax rate on all income obtained

✗

Only protects the capital gain and dividend

✗

Every layer to the structure adds a 1.25% taxation

✗

Must have business rationale

✗

More flexible for private investors

✓

Easy and quick to implement

✓

EDAV

Key characteristics:

Effective CIT tax rate of 15% on income derived from the lease of residential properties

✓

4% VAT reduced tax rate for the acquisition of residential properties

✓

Private vehicle easy to manage

✓

Only applicable to residential properties

✗

Does not protect the capital gain

✗

INVESTMENT VEHICLES

(CONTINUED)

SOCIMI - Spanish Real Estate Investment Trust (REIT)	Key characteristics:	
	CIT tax rate 0% over all income obtained (including that income derived from ancillary activities) and capital gains	✓
	Dividends distributed from the SOCIMI to its shareholders are taxed at a 10% tax rate	✓
	Must comply with the Asset Test/Income Test and mandatory distribution of annual profits	✗
	Mandatory listing: Official Stock Exchanges or alternative markets	✗
Real Estate Investment Funds	Key characteristics:	
	1% reduced CIT tax rate on the income derived from lease and capital gains on the transfer of real estate	✓
	Minimum of 100 investors	✗
	Bad market reputation	✗
	Supervision by the National Securities Market Commission (CNMV)	✗

COMPARATIVE CHART

	HoldCo – PropCo	SOCIMI	EDAV	REAL ESTATE INVESTMENT FUNDS
Legal form	<i>Sociedad de Responsabilidad Limitada (S.L.)</i>	<i>Sociedad Anónima (S.A.)</i>	Any Spanish CIT payer	n/a
Minimum share capital	EUR 3,000	EUR 5 million.	Depending on the legal form	Depending on the legal form
Mandatory listing	No	Yes, also permitted in Alternative Markets within the EU	No	No
Corporate purpose	n/a	Lease of urban real estate assets	Lease of residential properties in Spain	Investment in urban real estate assets for leasing.
Minimum number of assets	No	No	8 residential properties	No
Investment requirements	No	80% of SOCIMI's balance sheet must correspond to qualifying assets (real estate devoted to rental activities or shares in other similar vehicles) 80% of the total revenues must stem from qualifying assets	55% of EDAV's annual revenues correspond to qualifying assets (residential units devoted to rental activities)	80% of the annual average of the monthly balance of its assets shall be invested in specific real estate assets
Holding period of the assets	No	Qualifying assets must remain at least 3 years in the SOCIMI	Qualifying assets must remain at least 3 years in the EDAV	Qualifying assets must remain at least 3 years in the RE Investment Fund
Mandatory distribution of dividends	No	80% as a general rule (rental income) 50% of the profits derived from the sale of qualifying assets. The exceeding amount must be reinvested within the following 3 years 100% of dividends distributed by SOCIMI's subsidiaries	No	No

COMPARATIVE CHART

(CONTINUED)

	HoldCo – PropCo	SOCIMI	EDAV	REAL ESTATE INVESTMENT FUNDS
Taxation at the vehicle level	25%	<p>0% over all the income.</p> <p>If the SOCIMI's investor meets the following two conditions: (i) ownership of 5% or higher; (ii) dividends received are exempt or tax below 10%, the SOCIMI will have to pay a <u>19% special levy</u> calculated on the amount of the dividend paid to the SOCIMI's investors meeting the above-mentioned conditions.</p> <p>Special <u>15% CIT over undistributed profit</u> will be triggered.</p>	25% with a 40% tax relief on income derived from the lease of residential properties (15% effective tax rate).	1% on rental income and capital gains on assets transferred after the minimum holding period provided that the Real Estate Investment Funds requirements are met
Taxation at the shareholder's level (dividends)	<p><u>Corporations with tax residency in Spain:</u> Spanish Exemption Participation Regime.</p> <p><u>Non-Residents in Spain for tax purposes:</u> Standard taxation 19% unless a Double Tax Treaty/EU Directive applies.</p>	<p><u>Corporations with tax residency in Spain:</u> 25%. No deductions (i.e., double taxation) are permitted.</p> <p><u>Non-Residents in Spain for tax purposes:</u> Standard taxation 19% unless a Double Tax Treaty/EU Directive applies.</p>	<p><u>Corporations with tax residency in Spain:</u> Limited application of the Spanish Exemption Participation Regime.</p> <p><u>Non-Residents in Spain for tax purposes:</u> Standard taxation 19% unless a Double Tax Treaty/EU Directive applies.</p>	<p><u>Corporations with tax residency in Spain:</u> 25%.</p> <p><u>Non-Residents in Spain for tax purposes:</u> Standard taxation 19% unless a Double Tax Treaty/EU Directive applies.</p>

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