



Belgian Specialized Real Estate Investment Fund (B-Sreif)

A preview

The Belgian government is expected to introduce a new fund-vehicle aimed at real estate investments. The vehicle would be open for “institutional” investors.

Expected legal framework

The vehicle is expected to be introduced as one of the investment platforms governed by the Act of April 19th, 2014, implementing the Directive 2011/61/EU on Alternative Investment Fund Managers into Belgian legislation.

Current outlook

Based on currently available information the vehicle, referred to as “Sreif”, promises to offer an interesting tool for investments in real estate and affiliated products. Some planning, e.g. at the level of transfer taxes, however seems required to avoid drawbacks.

Expected Strengths:

- Flexible regulatory framework:
 - Daily operations organized in a way similar to common law companies;
 - No specific authorizations would be required in the hands of the Sreif (but the manager of the Sreif may be subject to a strict prudential control).
- Expected tax treatment:
 - Subject to corporate income tax but with a taxable basis limited to specifically listed items. The effective income from investments would thus remain tax exempt;
 - Distributions from income sourced outside of Belgium would benefit from a specific exemption of Belgian withholding taxes. Moreover, existing exemptions from withholding taxes, such as e.g. exemptions for distributions to non-resident investors or for the distribution of liquidation bonuses by investment companies, may also apply.

Possible weaknesses

- Limitation in time: maximum of 10 years extendable with 5 years.
- Distributions received from Sreif would not benefit from “dividends received”-regime.

Potential opportunities

- Large scope of possible investments expected to be allowed.
- No real diversification of investments-obligation.
- Limited “indirect” distribution-requirements. (This could still change.)
- Possibility to create compartments.

Potential threats

- Access limited to qualifying investors – however: definition of qualifying investors expected to be broad.
- “Exit tax” upon setting up of the vehicle may represent an upfront cost.
- Transfer taxes may represent a substantial drawback.

Examples of situations where Sreif could be an interesting tool:

- Operational corporations with real estate holdings: Sreif may allow to unlock (part of) the value of the real estate without losing control over the assets.
- As hub for pan European real estate portfolios.
- As vehicle to tax efficiently structure privately held real estate portfolios.

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Part of the above information, primarily the Royal Decree implementing the B-Sreif, is preliminary, has yet to be finalized and may therefore still (materially) change. The present should therefore be considered as a mere projection without any guarantee as to the final result.

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