OECD GloBE Pillar Two proposals

To: taxpublicconsultation@oecd.org
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Introduction

1. The British Property Federation (BPF) represents the real estate sector – an industry which contributed more than £100bn to the economy in 2018 and supported more than 2 million jobs.

2. We promote the interests of those with a stake in the UK built environment, and our membership comprises a broad range of owners, managers and developers of real estate as well as those who support them. Their investments help drive the UK's economic success; provide essential infrastructure and create great places where people can live, work and relax.

3. We are supportive of the OECD's efforts consider the tax challenges arising from the digitalisation of the economy and base erosion more broadly and welcome the opportunity to provide comments on the GLoBE Pillar Two proposals.

4. Almost a third of UK commercial real estate is owned by overseas investment and a further third are owned by collective investment vehicles (including funds and real estate investment trusts (REITs)), which cater to a global investor base. Given the global and collective nature of real estate investment, it is important to ensure that the tax rules reflect the importance of tax neutrality in collective investment. Furthermore, given real estate is generally taxable in the jurisdiction that it's based in, the risk of base erosion is low in the context of real estate investment. To that end, we are supportive of the submissions made by EPRA and INREV which call for appropriate carve outs for typical real estate investment structures, including REITs and Real Estate Non-CIVs.

5. It is important to stress the unique tax characteristics of REITs, and therefore, the need for a tailored approach. While each REIT regime will be different, the high-level intention is to ensure that investors are treated comparably for tax purposes, as if they had made an investment in the underlying real estate directly. Typically, that is achieved by requiring a large majority of the profits in the REIT to be distributed to investors each year, who are then taxed on their share of the returns directly. However, there are typically some profits and income streams which remain taxable in the REIT itself – and therefore they are not tax transparent structures in the traditional sense, hence the need for a tailored approach or carve out.

6. It is important to ensure that the tax rules continue to encourage access to collective investment in real estate – much of which many of us are invested in to some degree via our pensions and savings. We would be glad to meet to discuss options for appropriate carve outs for real estate investment structures - please do not hesitate to get in touch if you have any questions.

Yours sincerely,

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