

Fund Structures Overview February 2019

This table is intended to be a high level introduction to the key features of some popular property investment vehicles but not a comprehensive/definitive guide.

Investment Vehicle	Tax Treatment	Transfer Tax	Listable	Open/Closed Ended	Regulatory Supervision	Investor Restrictions	Best Feature	Worst Feature	Best Used For
Luxembourg FCP SIF	Tax transparent.	Nil	Yes (if open ended)	Usually closed-ended (umbrella fund allows mixture)	Needs to be approved and registered by CSSF in Luxembourg and comply with AIFMD.	Only well informed investors: institutions, professional or €125,000 minimum. Not open to retail market.	Tax and legal transparency. Can be organised as a FCP or a limited partnership. Suitable to large number of investors worldwide.	No access to tax treaties at fund level. Not entitled to EU Tax Directives. Diversification requirements.	Pan-European property investment
Luxembourg SICAV SIF	Tax treatment dependent on legal form.	Nil	Yes	Usually open-ended (umbrella fund allows mixture)	Needs to be approved and registered by CSSF in Luxembourg and comply with AIFMD.	Only well informed investors: institutions, professional or €125,000 minimum. Not open to retail market.	Suitable to large number of investors worldwide. Can be in limited partnership format – so flexible.	Access to double tax treaties if no tax transparent legal form/No access to double tax treaties if tax transparent legal form. Diversification requirements.	Pan-European property investment
Luxembourg SCSp – RAIF	Tax transparent.	Nil	Yes (but complicated)	Open/closed-ended	Fund itself is unregulated but management must comply with AIFMD.	Only well informed investors. Not open to the retail market.	Tax and legal transparency. Fund itself not subject to regulatory oversight by CSSF.	No access to double tax treaties. Diversification requirements.	Pan-European property investment
UK Limited Partnership and UK Private Fund Limited Partnership	Tax transparent.	5% on direct underlying UK property GAV above £250k (lower rates applied to portion of GAV below £250k).	No	Usually closed-ended	Manager regulated by FCA in UK and must comply with AIFMD (unless JV exemption applies).	Limited to institutional, high net worth or knowledgeable investors.	Tax transparent.	Illiquid and can be subject to transfer tax.	UK/Pan-European property investment funds UK property joint ventures with exempt tax payers
UK – REIT	Tax exempt on UK real estate investment business.	0.5% if UK PLC.	Yes. There are listing/stock exchange requirements.	Closed-ended	Regulated according to listing/recognised stock exchange. If structured as a fund, it will also need to comply with AIFMD.	Yes. There are close company ownership tests with exemptions for institutional shareholders. There are also 105 corporate owner tests.	Corporate form, which can include a group structure, with tax exempt status and liquidity as a listed vehicle. Is a UK resident tax exempt vehicle for investment.	As a listed vehicle there are securities laws, continuing obligations and costs. Ongoing conditions to maintain tax status.	Real estate businesses and funds investing in UK real estate (wanting to have access to and liquidity of stock markets). They can also invest in other jurisdictions subject to local tax laws.
UK Unauthorised Exempt Property Unit Trust	Effectively tax-free at fund level.	Nil on redemption, 0.5% on a transfer of beneficial ownership only	No	Usually semi open-ended	Manager regulated by FCA in UK and must comply with AIFMD	Only available to UK tax exempt investors, i.e. pen-sion funds and charities.	Tax efficiency and allows for trading income in structure.	Tax exempt investors only.	Pooled property for exempt investors.
Property Authorised Investment Fund (“PAIF”), OEIC	Tax free at fund level for property investment income and gains. Withholding tax on distributions to non-exempt investors.	Nil on redemption, 0.5% on a transfer of beneficial ownership only	No	Open-ended	Open-ended investment company authorised by FCA in UK and must comply with AIFMD as well as broader FCA rules (such as COLL)	Not available within UCITS. Suitable for ISAs if structured as a NURS. Certain investors require a feeder. No corporate may hold 10% or more of the PAIF.	Available to general public if structured as a NURS.	Investment restrictions and need for feeder for some investors.	Public access to the property sector.
Co-Ownership Authorised Contractual Scheme (Co-ACS)	Tax transparent for income. Exempt from CGT, investors potentially taxable on the disposal of units depending on their status.	Nil on redemption, 0.5% on a transfer of beneficial ownership only	No	Open-ended	Vehicle authorised by FCA in UK and must comply with AIFMD as well as broader FCA rules (such as COLL)	Only available to professional, sophisticated investors or those with a minimum of £1 million to invest.	Tax transparency.	Administratively complex.	Pooled property for institutional investors.
Jersey Property Unit Trust	Usually tax trans- parent for income. Potentially subject to capital gains tax.	Nil	Yes but unusual	Usually closed- ended	By JFSC in Jersey. Unregulated funds now available for institutional and large investors. The functionaries of funds are supervised. If marketing in Europe, must consider AIFMD.	Depends on regulatory approval obtained.	Tax treatment and potential liquidity. Capital gains tax can benefit from CIV regime.	Must be managed and controlled outside UK.	UK property investment.



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1. The Code of Practice

AREF has a unique code of practice, widely recognised as the gold standard in corporate governance. With investors in real estate funds increasingly looking at governance, as well as environmental and social issues, membership of AREF and hence committing to the code, allows funds to display our Quality Mark. This makes it easier for investors and their advisers to discern which funds have and which have not made this commitment.

2. The Forum

AREF brings together stakeholders from across the real estate investment spectrum to discuss and debate topical issues, to learn and to network. We seek to bring the industry together to help influence its evolution, for the benefit of both the practitioners working in the industry and the investors in the funds.

3. The Lobby

With over sixty-five fund members, representing around £72bn AUM* and nearly as many affiliate members, advisers and service providers for our fund members, AREF acts as the collective voice of the real estate funds industry.

4. The Index

The majority of AREF's member funds choose to have their performance measured using the leading NAV-level MSCI/AREF UK Quarterly Property Fund Index and are included in the Property Fund Vision Handbook – the property fund researchers' bible. This enables investors and their advisers to compare fund performance and other relevant data, to appropriate alternative funds, either individually or at an aggregated level.

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