

CBRE

tpa

REAL ESTATE INVESTMENT

2020



OUR EXPERTISE

Our strength in providing efficient transnational advice is outstanding and impressive. Thanks to our strong local roots, we have been able to develop an in-depth understanding of the respective tax-based and also cultural peculiarities. We have been supporting our

clients for over decades as they expand into new markets. When it comes to providing advice, it's not just that they do things differently' in other countries, but that there are different cultures, markets, laws, languages and much more to consider.



>>Please click on the country for further details<<

EXECUTIVE SUMMARY

Real estate as a form of investment has always been high in demand and, in addition, demand for real estate has increased steadily over the past few years. In particular, institutional investors and investors such as banks, insurance companies, pension insurance funds or international (open and/or closed) funds welcome the opportunity to add a real estate element to their investment portfolio. In an economic environment where interest rates are still very low and the returns from real estate investments are attractive in comparison to other investment opportunities, the rising interest in the latter is not surprising.

An assessment of the respective local real estate markets can sometimes be quite difficult. Every market is subject to its own technological, social and demographic changes and dynamics. Due to these challenges the real estate industry is reliant on diverse skills and experts.

This brochure offers information, which primarily focuses on investment opportunities in Germany, Austria and the CEE/SEE region for 2020 and is updated once a year. It is intended to provide the institutional investor with a brief, practice-oriented overview of the individual countries in order to create a preliminary basis for possible investment decisions. This brochure can also act as a motivation to look at certain countries, which have not been on the radar for most institutional investors until now. In particular some smaller countries in the CEE region still offer very interesting returns and opportunities.

The tax overview shows aspects which are essential with regard to real estate transactions in the target market. Tax legislation is currently subject to many changes, which can be traced back to stricter measures on the EU and/or OECD level, in particular.

COVID-19: The COVID-19 crisis and the potential effects on the international economy is currently a major challenge for real estate investors. Therefore, the brochure provides brief country-by-country information concerning COVID-19 tax-related relief measures. We will implement the actual data for a real estate forecast 2020 as soon as possible. Therefore, please do have a close look into the online-brochure for updates (www.tpa-group.com/realestate-invest-cee). Link for news regarding COVID-19: <https://www.tpa-group.at/en/tag/covid-19-en>.



COVID MEASURES

Albania:

The Albanian Government revealed certain first measures of their relief plan, e.g. up to 100 million USD sovereign guarantee for cash liquidity of companies reliant on bank loans for salary payments. Furthermore, businesses with a turnover of 18,000 USD –123,000 USD are allowed to postpone income tax payments to the second half of the year. The Central Bank of Albania says that companies in financial distress may delay loan payment for three months without penalties.

Austria:

The Ministry of Finance announced the first measures to mitigate the effects of COVID-19 for taxpayers, e.g., tax prepayments for individual and corporate income tax purposes may be reduced to zero upon request and late payment penalties may be reduced or waived upon request.

Tax authorities may also defer taxes if their collection leads to significant hardship or they agree to payments in instalments. The Austrian government has also an-

nounced a COVID-19 fund including various financial support measures to ensure liquidity of companies through credit guarantees, bridging loans, tax deferrals, strengthening & accelerating export promotion in order to prevent a threat to the existence of companies.

Bulgaria:

The Bulgarian National Assembly announced first tax-related measures proposed by The Bill on the Measures and Actions during the State of Emergency. One of these measures is that the term for the filing of corporate tax returns, the payment of CIT and tax on expenses for 2019 shall be extended from March 31st, 2020 to June 30th, 2020. In addition, the personal income tax return of individuals as well as individuals performing commercial activity as sole proprietors and agricultural producers shall be extended to June 30th, 2020. The term for the filing of the yearly financial statements shall be extended to September 30th, 2020. For the period of the State of Emergency the absolute limitation term for collection of public liabilities of 10 years shall not be applicable.

Croatia:

Businesses and citizens affected by the COVID-19 crisis will be allowed to defer payment of certain taxes such as personal income tax, CIT, VAT and social contributions (postponed for a period of three months; extension possible). Thereafter, a 24-month payment of debt in instalments will be provided interest-free. Under certain circumstances entrepreneurs (legal and individual persons) can apply for deferred payment of due taxes, contributions and duties. The Tax Authorities may also grant the determination of a company's advance payment of corporate income tax in a lower amount or in the amount of HRK 0.00 (ex-officio or upon request).

Czech Republic:

The Ministry of Finance announced its first plans to propose measures to mitigate the effects of COVID-19 for taxpayers, e.g. CIT advance 2020 due on June 15th, 2020 has been pardoned and the general deadline for filing the individual income tax return 2019 is April 1st, 2020. Taxpayers will not be required to demonstrate that the delay was caused by COVID-19. In the case of other late tax filings, taxpayers will not be subject to penalties, provided that they can demonstrate that the delay was caused by COVID-19. Furthermore, entrepreneurs affected by the coronavirus can request an interest-free loan.

Germany:

The Ministry of Finance announced first measures to mitigate the effects of COVID-19 for taxpayers, e.g., tax prepayments for private individuals and companies in 2020 may be repaid or reduced upon request, late payment penalties may be reduced or waived upon request. Tax authorities may also defer taxes if their collection leads to significant hardship. The Federal German government and the government of the states have also announced COVID-19 funds including various financial support measures to ensure liquidity of companies through credit guarantees and bridging loans. Furthermore, amended insolvency rules in order to prevent a threat to the existence of companies due to the crisis become effective. Further measures (postponement of filing deadlines, e.g. wage tax, social security contributions) are being discussed at this stage.

Hungary:

The Hungarian government decided on immediate first actions to moderate the impact of the COVID-19 pandemic on the national economy. This includes a deferral of payment regarding principal debt, interest and fees, for instance. These provisions shall apply to loans already granted on March 24th, 2020. For some sectors (e.g. tourism, catering industry), lease agreements concluded in respect of non-residential premises may not be terminated until June 30th, 2020. The rent may not be increased during the emergency period, even if otherwise allowed by the contract.





Montenegro:

The main first relief measures of the Montenegrin Government regarding COVID-19 are the delay of payment of loans received from financial institutions for all citizens and companies for a period of 90 days, the delay of payment of taxes and contributions on salaries for a period of 90 days.

Moreover, loans for liquidity of the companies up to 3 million euros will be granted – grace period 2 years at an interest rate of 1.5 %.

Poland:

In March the Polish Parliament finished the first legislative work on the introduction of the regulations regarding measures to combat the negative effects of the coronavirus pandemic. The main objective of the so-called „Anti-crisis shield“ is to support the Polish economy by maintaining business liquidity and protecting employment. The Anti-Crisis Shield provides, e.g. exemptions from social security contributions, wage subsidies, payment for demurrage to contractors and self-employed, abolition of the extension fee (charged when granting tax reliefs and deferrals of

taxes and social security contributions), the extension of the deadline for submitting annual CIT return and payment of CIT for 2019 and the possibility of retro-active settlement of tax losses.

Romania:

A series of first measures aimed to support the business community during the state of emergency declared due to COVID-19 was published in the Romanian Official Gazette. The Ministry of Finance guarantees up to 80 % of the value of financing granted to SMEs. For investment loans, the maximum value of financing will be RON 10 million (approx. EUR 2 million). During the state of emergency, enterprises may benefit from deferred payment under certain conditions and the postponement of payment for utilities services (e.g., electricity, water). Taxpayers (i.e. legal entities, with certain exceptions) may benefit from a restructuring of their debts towards the state budget (both principal amounts and late payment interest and penalties) outstanding as of December 31st, 2018.

Serbia:

The Ministry of Finance provides some first COVID-19 measures. Taxpayers, who have already set up a payment plan with the Tax Authorities, will be relieved from termination of their payment plan agreements, cancellation of decisions on a payment plan and enforced tax collection in respect of a payment plan. The Central Bank adopted a decision on moratorium on debts towards banks and financial lease providers. The moratorium is envisaged for all debtors (individuals and legal entities) who accept it and implies a suspension of debt payments for at least 90 days, i.e. for the duration of the emergency state. During the moratorium, the borrowers/financial lessees will be excused from their payment obligations and the banks/financial lessors will not be allowed to calculate default interest on due amounts or initiate enforcement proceedings with the aim of collecting their claims.

Slovakia:

The Slovak National Council approved first emergency measures in conjunction with the spread of COVID-19 in the areas of finance, employment legislation in order to save jobs, social security and health insurance. Some of the most important changes and measures adopted are, e.g. deadline extensions for filing an income tax return, suspension of tax proceedings, the

postponement of a tax execution procedure. Furthermore, the expiration of the right to recover tax arrears shall be suspended. If taxpayers fail to file an income tax return or supplementary income tax return by a deadline that falls within the pandemic period, they will not be penalised, on condition that they fulfil their obligations by the end of the calendar month following the end of the pandemic period.

Slovenia:

Several laws were already passed in connection with COVID-19 with the aim of economy support. As part of the tax law measures and the Measures Act, numerous legal provisions changed, e.g. postponement of deadlines for filing tax returns, the deadlines for the publication of financial statements are postponed, deferral and payment in instalments (for advance tax payments, withholding taxes, VAT). Deferrals of payments under the loan repayment measures can (among others) be applied by companies, which are part of the law on business companies (e.g. d.o.o., d.d.), Slovenian sole traders and also natural persons with their main residence in Slovenia. While for large companies the prerequisite for deferring payment is that they are threatened to go into bankruptcy, for all other applicants it is sufficient that they are unable to meet the payment obligations.



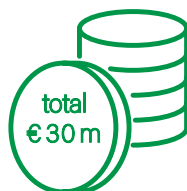
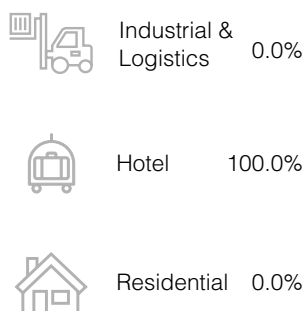


REAL ESTATE INVESTMENT MARKET ALBANIA

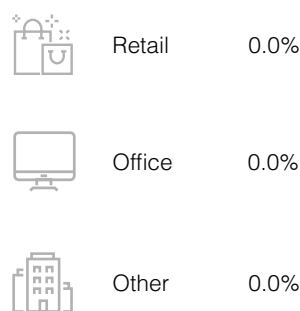
Following to a decade high GDP growth in 2018, year 2019 witnessed a slowdown. Growth was strongly supported by consumer spending on the back of a tighter labour market, growing wages and credit expansion. Improving economic fundamentals and reforms in legal and administrative frameworks will provide an additional boost to the real estate market, which has already been growing over the recent years.

During 2019, the Albanian real estate market remained stable, with no notable improvements when compared to the year before. Therefore, there were no larger scale real estate transactions noted in 2019, underpinned by the limited number of modern assets throughout the country. Historically, it has been noted that the investment and development market has been dominated by local investors. Further market improvement will be an important investment driver in Albania, which will increase the country's potential and boost investors' confidence.

INVESTMENT VOLUME BY SECTOR 2018-2019



Investment Volume
 2018-2019
 EUR 30 m



PRIME YIELD 2019



GENERAL TAX INFORMATION

- The corporate income tax rate amounts to 15 % for taxpayers with an annual turnover exceeding ALL 14 million (approx. EUR 112,000). Capital gains derived from the disposal of assets, including shares, are subject to tax at the standard rate of 15 %.
- The preferred local legal form in Albania is the limited liability company Ltd (in Albanian Shpk) or joint-stock company Jsc (in Albanian Sh.a.). An alternative legal form is the partnership (general partnership, limited partnership), which is treated as non-transparent for tax purposes (subject to profit tax at the partnership level, the partners' profit shares are subject to withholding tax).
- The EU-ATAD I & II have not been implemented and are not applicable in Albania. However, Albanian tax law includes thin-capitalization rules with respect to the deduction of interest on loans, which apply if the debt-to-equity ratio exceeds 4:1. The ratio applies to all debts owed to related and unrelated parties as well as to loans obtained from financial institutions, but does not apply to banks, insurance and leasing companies.
- A special group taxation regime for corporate entities does not exist. So far, Albania has entered into double taxation agreements with numerous countries. Real estate clauses are included in some of them. The implementation of the MLI is not yet planned.
- The DAC-6 Directive is not applicable in Albania.

FOCUS ON REAL ESTATE

Rental income – VAT

- The supply and rent of land and buildings is VAT-exempt. However, the lessor has the option for taxation under certain circumstances.
- If the purpose of a supply (goods/services) is partly appropriated for taxable supplies and partly for exempt supplies, the taxable person may not deduct input VAT in full. This is known as 'partial exemption'.

Input VAT correction – property

- No input VAT correction.

Depreciation – real estate

- Land: No depreciation.
- Buildings: Buildings (for business purposes) are depreciated separately for tax purposes using the declining-balance method at a rate of 5 %.
- If the residual value of real estate and other structures at the beginning of the tax period is lower than 3 % of the historical cost and/or lower than 10 % of the historical cost, the residual or net book value of such assets is considered as a tax-deductible expense in that tax period.

Current operating expenses

- Normally the tenant bears the costs.



ACQUISITION OF REAL ESTATE

Asset Deal

Tax on transfer of ownership rights

- The transfer of the ownership title to real estate property is subject to transfer tax (payable by the person who transfers the ownership title).
- Tax payable on the transfer of the ownership title to real estate property other than buildings amounts to 2 % of the sales price. The tax rate for housing constructions (not destined for touristic, industrial or public use) varies from 4 % to 8 % of the selling price per square meter based on the reference prices provided by a Council of Ministers' decision.
- Infrastructure projects are additionally subject to a tax on infrastructure impact (tax rate of 0.1 % of the investment's value, but not less than the cost of the rehabilitation of the damaged infrastructure if such costs are not included in the investment projects).

Share Deal

Tax on transfer of ownership rights

- Not applicable.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- Capital gains realized are the difference between the sales value and the tax book value of the land or building. A tax rate of 15 % is applicable (to individuals and companies).
- If an individual passes ownership for the second time, the difference between the sales value and the purchase value specified in the previous contract (tax book value) is used for purposes of calculating the capital gain.

VAT

- The sale of land and buildings (except for the construction process) is VAT-exempt, but an option for VAT can be exercised if certain requirements are met.
- A deduction of input VAT is not possible (exception: exercise of the VAT option).

Share Deal

Income tax

- Capital gains derived from the transfer of participation quotas or capital shares include income from sales of quotas owned by partners in businesses or partnerships, income from sales of shares and income from sales or the liquidation of companies.
- The tax base is equal to the following:
 - Shares / capital participation quotas: Difference between the sales value of the shares and the nominal value or the purchase value (tax book value).
- In accordance with the OECD Model Agreement, for those countries which concluded a real estate clause, the right of taxation is assigned to the country in which the property is situated (local taxation: 15 %).

VAT

- In Albania the sale of shares is VAT-exempt.



BACK

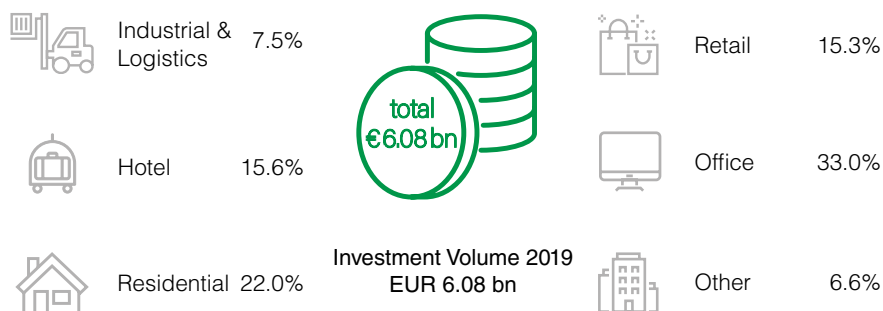


REAL ESTATE INVESTMENT MARKET AUSTRIA

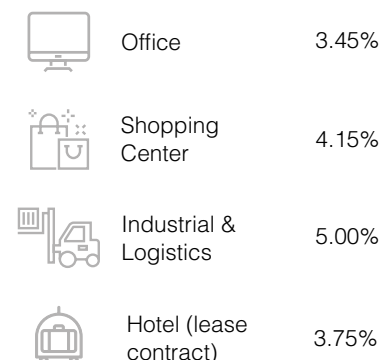
The volume of institutional real estate investment in Austria in 2019 amounted to around EUR 6.08 billion, exceeding the previous record year 2017 by another 17 %. Office properties accounted for the highest proportion of the investment volume in 2019, followed by residential real estate with a share of around 22 %. Record values were also registered for other asset classes, such as hotels and industry & logistics. In 2019, a total of 15 large-volume transactions with a value of more than EUR 100 million each, were registered. International investors were responsible for around 52 % of the transaction volume, of which 18 % were attributable to German investors. More than two thirds of the investment volume were generated in the federal capital Vienna.

In line with expectations, high investment pressure and the associated strong demand for investable products from domestic and international investors ensured that prime yields in almost all asset classes fell again in the second half of 2019, reaching new lows. The general excess demand makes the Austrian property market a seller's market. However, prices are slowly converging to the level of other Western European markets.

INVESTMENT VOLUME BY SECTOR 2019



PRIME YIELD 2019



GENERAL TAX INFORMATION

- The corporate income tax rate amounts to 25 %. The marginal rate of tax is 50 % for individual persons (if the income exceeds EUR 90,000) or 55 % until 2020 (if the income exceeds EUR 1 million; as of 2021: 50 %).
- In Austria the preferred local legal form is the corporation (GmbH or AG), which is treated as non-transparent for tax purposes. An alternative legal form is the partnership. Due to the pass-through principle, the partnership itself is not the subject of taxation but the individual partners.
- The EU-ATAD I is partially implemented. Furthermore, Austrian tax law provides constraints regarding interest deductibility, but currently no general interest limitation rule has been implemented in time. Basically, Austria is obligated to implement the ATAD–interest limitation rule until December 31st, 2018. The EC launched infringement proceedings because the interest limitation rule was not implemented until this deadline. It is likely that it will be introduced within the year 2020. In order to implement EU-ATAD II into Austrian domestic law, a special regulation for hybrid mismatches came into force on January 1st, 2020.
- A special group taxation regime for corporate entities exists. Moreover, Austria has an extensive network of double taxation treaties. Real estate clauses are not included in all double taxation treaties. The MLI entered into force on July 1st, 2018.
- On September 19th, 2019 the “EU Reporting Obligation Act” (*“EU-Meldepflichtgesetz”*) was approved by the National Council. The “EU Reporting Obligation Act” implements the DAC-6 Directive into national law. The national implementation will enter into force on July 1st, 2020 but relevant cross-border arrangements must already be monitored for the period starting as of June 25th, 2018 (start of reporting in July 2020).

FOCUS ON REAL ESTATE

Rental income – VAT

- Rentals for business purposes are tax exempt without refund of input VAT. Exercising the option for VAT is possible if the tenant uses the real estate almost exclusively for supplies which qualify for input VAT deduction.
- If an option for VAT is exercised, the statutory VAT rate of 20 % is applicable. In this case, the deduction of input VAT is possible.
- Rentals for residential purposes are subject to 10 % VAT.

Depreciation – real estate

- Land: Only extraordinary depreciation.
- Buildings: Without evidence up to 2.5 % p.a.; residentially used buildings up to 1.5 % p.a.
- Allocation to land and buildings: In general according to purchase price.

Current operating expenses

- Normally the tenant bears the costs.

VAT – input VAT correction

- 20 years (for every year of change of the property's usage for VAT purposes 1/20 of the input VAT already claimed).

Conclusion of the rental contract (rental for business purposes)

- Subject to a fee of 1 % of a specially calculated assessment base (a combination of the rental fee and the duration of the rental contract).
- Normally the tenant bears the costs.



ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax & stamp duties

- Transactions resulting in transfer of ownership of land in Austria (or of rights to use land) are subject to 3.5 % real estate transfer tax of the consideration of the transaction (=purchase price incl. VAT [if purchased incl. VAT]).
- Furthermore, 1.1 % land registration fee is applicable (assessment base: see real estate transfer tax).

Interest on debt financing of acquisitions

- Interest on debt is deductible (special regulations on interest deductibility apply).

Share Deal

Real estate transfer tax & stamp duties

- Real estate transfer tax is avoidable. However, the risk of a consolidation of shares exists under certain conditions. In this case: 0.5 % real estate transfer tax of the land value (the value of the land is determined by the market value respectively lump sum calculation).
- No land registration fee.

Interest on debt financing of acquisitions

- Interest on debt financing of the acquisition of shares (in a partnership and company) is deductible under certain conditions.
- No land registration fee.

Other aspects

- A special group taxation regime for corporate entities exists.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- The capital gain for companies (limited or unlimited liability to tax) is subject to 25 % CIT.
- As the partnership itself is not the subject of taxation but the individual partner, capital gains of asset deals are subject of taxation on partner`s level.
- A sale by private persons is subject to 30 % real estate income tax (with exceptions).

VAT

- The sale of real estate is basically VAT-exempt (no input VAT deduction; input VAT correction is possible).
- However, the vendor can exercise the option for VAT (a VAT rate of 20 % applies; no input VAT correction in this case).

Share Deal

Income tax

- A capital gain from the sale of a domestic limited liability company (GmbH) with real estate property in Austria is not subject to tax in Austria if the double taxation treaty does not contain a real estate clause (country of the vendor's residence is awarded the taxation right).
- Capital gain from the sale of shares in a domestic partnership: please see the information on asset deals above.

VAT

- The sale of shares is VAT-exempt in Austria (in general, input VAT on related costs is non-deductible).



BACK

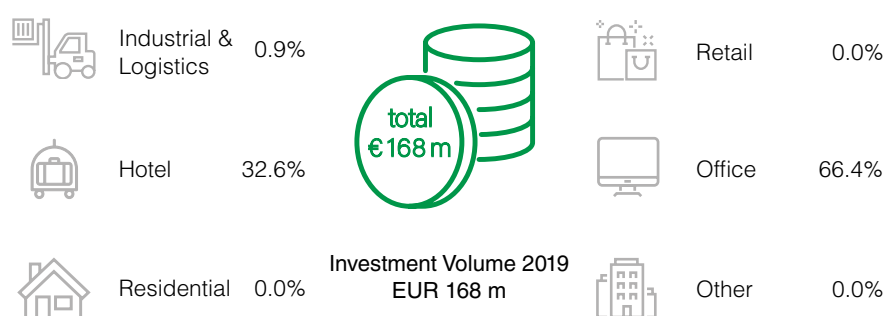


REAL ESTATE INVESTMENT MARKET BULGARIA

The previous years have noted a downtrend in overall investment volumes in Bulgaria. Therefore, year 2019 has reflected a slowdown in the market, with highest investments recorded in the office segment. The beginning of the year was marked by the acquisition of City Tower by NBG Pangaea REIC for EUR 79 million. Following this, local investor Bravo Property Fund REIT acquired the Office A building in Sofia for approximately EUR 30 million.

Overall interest from investors remained strong including both, foreign and domestic. In addition, construction activity in the office segment remains robust with new supply amounting to 150,000 sqm in 2019, while activity in the retail segment remained stable. Furthermore, the number of new office projects continues to rise and together with strong demand, investors interest will remain going forward.

INVESTMENT VOLUME BY SECTOR 2019



PRIME YIELD 2019

Office	7.75%
Shopping Center	7.00%
Industrial & Logistics	9.00%
Hotel (management contract)	8.00%

GENERAL TAX INFORMATION

- In Bulgaria the corporate income tax rate amounts to 10 %.
- The preferred local legal form is the corporation (LTD or JSC). The corporation is treated as non-transparent for tax purposes and is subject to 10 % CIT. Transparent legal forms of organizations are not recognized by Bulgarian tax law, e.g. partnerships are considered as tax non-transparent.
- As of January 1st, 2019, a new interest limitation rule as well as special rules for controlled foreign companies (CFC) are applicable, which implement the EU-ATAD I. At the same time, Bulgaria has preserved the thin capitalization rule. As such, the deduction of interest expenses (net borrowing costs) is limited to 30 % of the tax-adjusted EBITDA if the taxpayer's borrowing costs are higher than the BGN equivalent of EUR 3 million.
- The Bulgarian tax law provides no special group taxation regime.
- Furthermore, Bulgaria has an extensive network of double taxation treaties. Real estate clauses are included in some of them. The MLI was signed on June 7th, 2017 (not yet in force). The MLI partially modifies the tax treaty between Bulgaria and Austria.
- The national law for the implementation of DAC-6 Directive was published on December 31st, 2019 in the Official Gazette (start of reporting in July 2020). Reports will retrospectively cover relevant arrangements between June 25th, 2018 and July 1st, 2020.

FOCUS ON REAL ESTATE

Rental income – VAT

- The rental income is in general subject to 20 % VAT.
- VAT exemption: Applicable only in case of rentals to individuals for residential purposes.
- Option for taxable supplies of rentals to individuals.
- Input VAT refund based on general rules.

Input VAT correction – property

- 20 years (for every year after the change of the property's usage for VAT purposes 1/20 of the input VAT already claimed).

Depreciation – real estate

- Land: No depreciation and no extraordinary depreciation.
- Buildings: Limited to 4 % p.a. for tax purposes.
- Allocation land and buildings: No fixed allocation ratio is applicable with respect to usage.
- Retroactive adjustment of depreciation expenses in case of mixed use based on the actual ratio of the usage.

Current operating expenses

- Normally the tenant bears the costs.

Conclusion of rental contracts (rental for business purposes)

- No statutory fees are applicable.



ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax

- The sale or exchange of immovable property is subject to a transfer tax. The real estate transfer tax rate varies from 0.1 % to 3 % (depending on the relevant municipality). The assessment base of the real estate transfer tax is the sales price or the “tax value” (if the “tax value” is higher than the sales price).

Interest on debt financing of acquisitions

- The interest is tax-deductible according to the general rules of the CIT-Act (thin-capitalization regulations are applicable).

Share Deal

Real estate transfer tax

- A real estate transfer tax is not applicable.

Interest on debt financing of acquisitions

- Interest is tax-deductible according to the general rules of the CIT-Act (thin-capitalization regulations are applicable as well as a limitation of the net borrowing costs). The definition of “borrowing costs” is aligned with the relevant provisions of the EU-ATAD.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- The capital gain of companies is subject to a CIT rate of 10 %, whereas a sale by private persons is subject to 10 % income tax (with exceptions). Gains on the disposal of two immovable property per year are exempt if the immovable property has been owned for more than 5 years.

VAT

- The sale of real estate is basically subject to 20 % VAT. Furthermore, exceptions for the sale of non-regulated land and old real estate (over 60 months) are applicable.
- A retroactive VAT adjustment is applicable if the purpose of use of the real estate (e.g. from business to private use) changes, a disposal without VAT credit (e.g. donation) or a non-VAT-able sale of the property is effected. The adjustment can be applied up to 20 years as of the year of the acquisition.

Share Deal

Income tax

- A capital gain from the sale of a domestic company (LTD, JSC) or a partnership with real estate in Bulgaria is subject to 10 % CIT in Bulgaria if the double taxation treaty does not provide a different treatment. A national exemption applies only to the gains from the sale of shares on a regulated market – stock exchange (for publicly traded companies).

VAT

- In Bulgaria VAT is not applicable to the sale of shares.



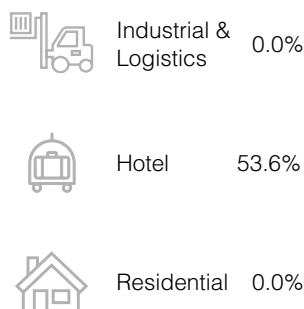


REAL ESTATE INVESTMENT MARKET CROATIA

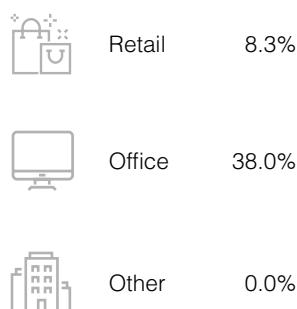
Year 2019 reflected a slowdown in the Croatian investment market. However, this was following to the vast retail investments recorded during 2018. In the previous months investment activity in Croatia was dominated by office and hotel segment which has been increasing over the previous years. Among notable transactions in 2019 was the acquisition of Hoto Tower office building by S Immo. Furthermore, Croatian retailer Pevec continued its market expansion, which included the acquisitions of existing schemes as well as opening of new stores.

Having in mind the touristic offer, investment activities in the hotel segment have been steadily increasing. This has been supported by significant increase of tourists coming each year, mainly in the coastal area. In 2019, investors have been interested in existing outdated properties with further renovation and investment plans and such trend is expected to continue in the following months.

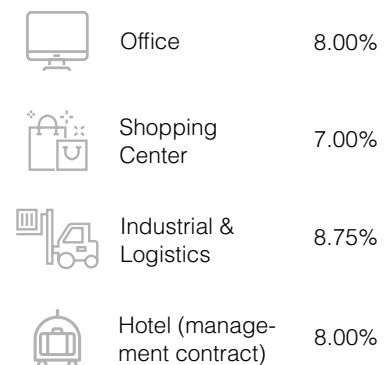
INVESTMENT VOLUME BY SECTOR 2019



Investment Volume 2019
EUR 175 m



PRIME YIELD 2019



GENERAL TAX INFORMATION

- The corporate income tax rate in Croatia amounts to 12 % (up to 7.5 million HRK, approx. EUR 1 million) or 18 % CIT (over 7.5 million HRK, approx. EUR 1 million). The marginal personal income tax rate is 42.48 % (applies to taxable income of person residing in Zagreb, which exceeds EUR 48,000).
- The preferred local legal form is the corporation (d.o.o. or d.d.), which is treated as non-transparent for tax-purposes. An alternative legal form is the partnership (jtd, kd, GIU). The partnership in Croatia is treated – like corporations – as non-transparent for tax purposes and is subject to CIT.
- Legislation implementing the EU-ATAD has become effective as of January 1st, 2019. In general, interest is deductible if the expenses are incurred with the purpose of generating profit and between affiliated companies up to a certain percentage (currently 3.42 % per annum). As of January 1st, 2019, the deduction of excessive borrowing costs from the taxable base is limited if the borrowing costs in a financial year exceed EUR 3 million and the borrowing costs exceed 30 % of the tax-adjusted EBITDA. The rules will not apply to financial institutions, to loans used for long-term public infrastructure projects and to stand-alone entities.
- A special group taxation regime for corporate entities does not exist.
- Croatia has an extensive network of double taxation treaties. Real estate clauses are included in some of them. The MLI was signed on June 7th, 2017 (not yet in force). The MLI partially modifies the tax treaty between Croatia and Austria.
- On December 11th, 2019 Croatia published a national law implementing the DAC-6 Directive in the Official Gazette no. 121/2019.

FOCUS ON REAL ESTATE

Rental income – VAT

- Renting of immovable property is subject to VAT.
- Exception: Renting for residential purposes is tax-exempt.

Input VAT correction – property

- If the conditions relevant for input VAT deduction change within ten years after the acquisition/building, input VAT must be corrected for the period after the change.
- The annual amount of input VAT correction is 1/10 of the VAT amount calculated for the real estate.

Depreciation – real estate

- Land: No depreciation.
- Buildings and other properties: 5 % for tax purposes (it can be doubled). The same rules apply for buildings used for residential (rented to individual persons) and business purposes.

Current operating expenses

- Normally the tenant bears the costs.

Conclusion of rental contracts (rental for business purposes)

- No statutory fees are applicable.



ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax

- The object of taxation is the transfer of real estate, which is not subject to VAT. A real estate transfer tax rate of 3 % is applicable. The immovable property transfer tax is payable by the purchaser of the property.
- The basis of assessment is the market value, which under certain circumstances may be determined by the tax authorities.
- The transfer of immovable property's ownership as a part of structural changes (e.g. mergers, demergers, capital contribution) is exempt from the real estate transfer tax. These transfers are also not subject to VAT.

Interest on debt financing of acquisitions

- Interest on debt financing of acquisitions is deductible if the expenses are incurred with the purpose of generating profit.
- Thin capitalization rules and maximum tax-deductible interest rate should be considered as follows: Interest on debt from a foreign shareholder holding 25 % or more of the company's share capital or voting rights, is non-deductible for the amount of the loan exceeding four times the shareholder's share in the equity of the borrower at any time during the tax period. The maximum tax-deductible rate of interest paid to a non-resident related party is 3.42 % per annum. Additionally, interest and other borrowing costs related to borrowings received from abroad will be tax-deductible up to EUR 3 million or 30 % of the taxable EBITDA, whichever is lower. However, this rule is not applicable to financial institutions and standalone taxpayers.

Share Deal

Real estate transfer tax

- Real estate transfer tax is not applicable.

Interest on debt financing of acquisitions

- Please see the information provided above for an asset deal.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- Capital gains realized by a Croatian corporation subject to CIT are included in the taxable income and are taxed at a rate of 12 % or 18 % CIT (18 % for turnover above 7.5 million HRK; approx. EUR 1 million).

VAT

- Subject to a VAT rate of 25 % if the property (building and associated land and/or construction land) is not used within two years from the date of acquisition or construction. If more than 2 years have passed from the date of the first occupation (or use) until the date of the next supply, the seller (taxable person) has the option to apply for an exemption or for VAT taxation of such a supply depending on the VAT status of the purchaser.

Share Deal

Income tax

- Sale of shares in a limited liability company: Capital gains realized by a Croatian corporation subject to CIT are included in the taxable income and are subject to a tax rate of 12 % or 18 % for enterprises with an annual revenue over HRK 7.5 million (approx. EUR 1 million). If a seller is not a Croatian tax resident, capital gain is not subject to tax in Croatia.

VAT

- In Croatia the sale of shares is VAT-exempt.



CZECH REPUBLIC

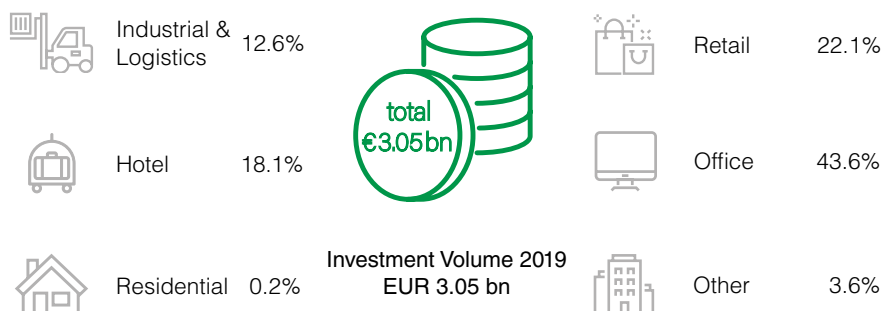
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REAL ESTATE INVESTMENT MARKET CZECH REPUBLIC

Our positive expectations for investment volumes in 2019 were met, with full year numbers of EUR 3.1 billion being 14 % above the 2018 volume of EUR 2.7 billion. This makes 2019 the 3rd most active year on record. The largest transaction of 2019 was the sale of Waltrovka, with a total volume of over EUR 250 million. Acquired by GLL on behalf of South Korean clients Hanwha Investment & Securities. This, along with a number of other large transactions by South Korean investors, contributed to offices, being the most liquid sector in 2019, with a 41 % share of total volumes. Looking at investment turnover in 2020 we believe that there is the potential to match and even surpass the levels recorded in 2016 and 2017 (over EUR 3.5 billion). Looking at the nationality of investors, the share of Czech investors is likely to stabilize, however, still keeping in the front positions of the most active investors on the Czech real estate market as well.

INVESTMENT VOLUME BY SECTOR 2019



PRIME YIELD 2019



GENERAL TAX INFORMATION

- The general corporate income tax rate in the Czech Republic amounts to 19 %. The profits of basic investment funds are subject to a special CIT rate of 5 % (if specific conditions are met). The marginal rate of tax is 15 % for individual persons (standard rate) plus 7 % for employment and business income exceeding approx. EUR 66,000.
- The preferred local legal form is the corporation (s.r.o. or a.s.). An alternative legal form is the general partnership (v.o.s.) or the limited partnership (k.s.). The legal form v.o.s. is treated as tax-transparent, whereas k.s. is tax-transparent with respect to the part allocated to general partners, i.e. k.s. is subject to tax on the part allocated to the limited partners (CIT at the level of the limited partnership, this part is treated like a s.r.o.).
- The key provisions of the EU-ATAD I & II have been already implemented in Czech tax law. Most provisions of the directives are effective as of 2020. The Czech tax law provides special provisions for tax non-deductibility, e.g. thin capitalization rules (interest on the part of related-party loans exceeding 4-times the equity is non-deductible). For tax years starting on April 1st, 2019 and later, the deductibility of “exceeding borrowing costs” in excess of 30 % of tax-adjusted EBITDA is not possible under the provisions implementing the EU-ATAD I. The interest limitation does not apply for “exceeding borrowing costs” of up to CZK 80 million (approx. EUR 3 million). “Exceeding borrowing costs” is the amount by which the deductible borrowing costs of a taxpayer exceed taxable interest and other comparable revenues under Czech law.
- No special group taxation regime for corporate entities exists. Real estate clauses are included in some double taxation treaties. The MLI was signed on June 7th, 2017 (not yet in force). The MLI partially modifies the tax treaty between Czech Republic and Austria.
- The Czech draft of the amendment of the mandatory disclosure rules (MDR), which basically stays within the scope of DAC-6 and will be applied across the whole Czech taxation system with only few exceptions will come into effect by July 1st, 2020. Therefore, the reporting obligation will start on the same day and will also be applied retrospectively to the date DAC-6 came into force (June 25th, 2018).

FOCUS ON REAL ESTATE

Rental income – VAT

- Lease of residential and office premises: VAT-exempt.
- The lessor may opt for VAT if the lessee is a Czech VAT payer and the premises are used for business purposes.
- As of 2021 the option to VAT will not be allowed for the lease of residential premises.

Input VAT correction – property

- Period for input VAT corrections:
 - Real estate property: 10 years (including structural improvement).
 - Other long-term assets: 5 years.

Depreciation – real estate

- Land: Neither ordinary nor extraordinary depreciation.
- Buildings and other properties:
 - Factories, warehouses etc.: 3.3 %.
 - Office buildings, department stores with a sales area exceeding 2,000 m², business centres, hotels etc.: 2 %.
- Special depreciation for tenants and other users (e.g. sub-tenants) who make structural improvements at their expense: Depreciation of the cost of improvements (depreciation spread over the depreciation period of the underlying building).
- Depreciation of structural improvements of immovable historic monuments: 6.7 %.

Current operating expenses

- Normally the tenant bears the costs.

Conclusion of rental contracts (rental for business purposes)

- No statutory fees are applicable.



ACQUISITION OF REAL ESTATE

Asset Deal

Real estate acquisition tax & stamp duties

- A real estate acquisition tax (hereinafter “REAT”) rate of 4 % is applicable upon the change of ownership of a property or a building right under civil law (change of the registered owner in the cadastre) in return for a consideration.
- Basis of assessment:
 - Acquisition value less costs of expert opinions.
 - Four methods for the determination of the acquisition value, e.g. purchase price if it is higher than the reference value (reference value is often calculated as 75 % of the value as per the expert’s opinion).
- No REAT is applicable to:
 - First transfer of new family houses and apartments within 5 years after completion of their construction.
 - Transfer of property in the course of mergers and demergers.
- The entry into the cadastre of CZK 2k (approx. EUR 80.00) is subject to a fee.

Interest on debt financing of acquisitions

- The general limitations of tax deductibility of interest costs as described above (see interest deductibility) are applicable.

Share Deal

Real estate acquisition tax & stamp duties

- Acquisitions of shares in a property-owning company and mergers are not subject to REAT.
- Not subject to land registration fee.

Interest on debt financing of acquisitions

- Interest on financing of investment acquisitions (shares in a subsidiary) are generally non-deductible.
- Interest on loans drawn in the six months preceding the investment acquisition are deemed as connected with the investment and are non-deductible (unless proven otherwise).

Other aspects

- No group taxation regime.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- The profit on the sale of real estate (income reduced by the tax residual value of the asset and sale-related costs) is subject to standard income tax. An exemption is only applicable to individuals if certain conditions are met (e.g. the asset is not held for business purposes).

VAT

- VAT exemption for:
 - Revenue from the sale of land which is neither considered as building land nor built-on land (forming a functional unit with a building).
 - Revenue from the sale of buildings after 5 years after the initial commissioning, commissioning after significant reconstruction or after the first use (with the exception of a transfer of a going concern including real estate which is outside the scope of VAT).
- An option for taxation for the seller instead of an exemption (approval of the buyer required if the buyer is a VAT payer) is possible. In the case of a taxable sale for VAT purposes a VAT rate of 21 % (exception: so-called welfare housing 15 % VAT) is applicable.
- Reverse charge mechanism may be triggered in certain situations.

Real estate acquisition tax (REAT)

- The transfer is subject to REAT payable by the purchaser (as described above under the acquisition of real estate).

Share Deal

Income tax

- Sale of shares in a limited liability company: The gain on the sale (income reduced by the tax residual value of shares and sale-related costs) is taxable income (taxed in the general tax base of the seller at the applicable income tax rate, e.g. at 15 % for individuals and 19 % for legal persons), unless the conditions for an exemption (see below) or for the application of a double taxation treaty are met. In accordance with the OECD Model Agreement, for those countries which concluded a real estate clause, the right of taxation is assigned to the country in which the property is situated.
- Exemptions are applicable, if a share of at least 10 % is held for more than 12 months (further formal criteria have to be met). The exemption is primarily applicable to Czech tax residents selling a share in a subsidiary (the scope could be extended to tax residents of other EU/EEA member states; not applicable for residents of non-member states).
- Exemption for individuals: 3- or 5-year-holding-period test if further conditions are met.
- Transfer of interest in a partnership: The sale of the share of the limited partner in a limited partnership follows basically the same rules as the sale of shares in standard corporations (however, the exemption above cannot be applied). The general partner's share cannot be directly sold.

VAT

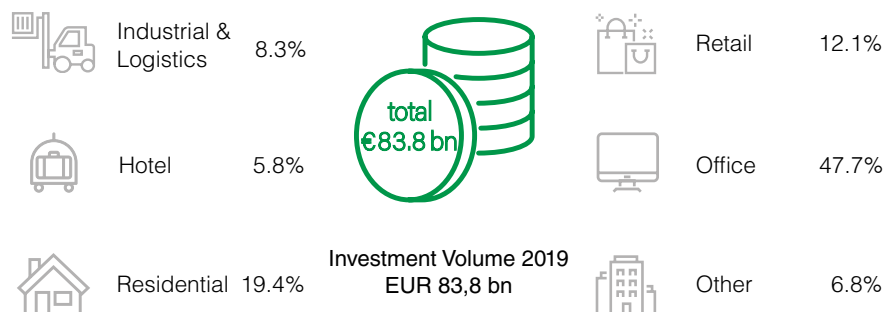
- In the Czech Republic the sale of shares is VAT-exempt (no input VAT deduction).



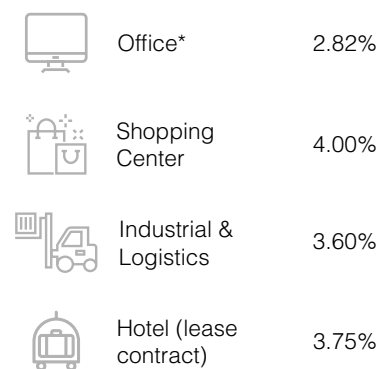
REAL ESTATE INVESTMENT MARKET GERMANY

Despite limited product availability, the German investment market delivered new record figures over the past year. Along with established asset classes, investors are also focusing increasingly on niche markets. In the residential segment, district developments are the driving momentum. Despite ongoing yield compression, German real estate remains very attractive to investors. The second half of 2019 saw investment activity clearly accelerate on the German real estate market. The economic slowdown has done nothing so far to break momentum, as the real estate investment market continues to be driven by the ongoing, excellent situation on the letting markets. Not only are vacancies low while demand remains high, but the volume of new construction also remains modest, not least due to rising prices and capacity shortfalls in the construction sector.

INVESTMENT VOLUME BY SECTOR 2019



PRIME YIELD 2019



*average of Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Munich

GENERAL TAX INFORMATION

- The corporate income tax rate in Germany amounts to 15.825 % CIT (including solidarity surcharge). Depending on the municipality of the permanent establishment a trade tax at a rate of between 7 % and 18 % is additionally levied. Domestic companies can apply for an extended trade tax deduction if the companies restrict their business to the mere letting and leasing of real estate property. The marginal personal tax rate amounts to 42 % (income exceeding EUR 57,052) or 45 % (income exceeding EUR 270,000) for individual persons. The general tax rate also applies to capital gains resulting from the sale of real estate (exemption if the property was privately held for more than 10 years).
- The preferred local legal form is the corporation (GmbH or AG). For tax purposes the corporation is treated as tax non-transparent. An alternative legal form is the partnership - namely the GmbH & Co. KG (the only general partner is a GmbH). Due to the pass-through principle, the partnership itself is not the subject of corporate tax but the individual partners. However, for trade tax and VAT purposes the partnership itself is subject to tax.
- The EU-ATAD I & II are partially implemented in German tax law. Moreover, the German tax law provides constraints regarding interest deductibility due to the interest limitation rule. The interest limitation rule is applicable if the interest exceeds EUR 3 million per year. Various exemptions and special regulations have been implemented in this context since the year 2008.
- Furthermore, a special group taxation regime for corporate entities is provided ("Organschaft").
- Germany has an extensive network of double taxation treaties. Real estate clauses are not included in all double taxation treaties. The MLI (not yet in force) partially modifies the tax treaty between Germany and Austria.
- The Bill on the implementation of the DAC-6 Directive was published in the Official Gazette of December 30th, 2019 (start of reporting on July 1st, 2020).

FOCUS ON REAL ESTATE

Rental income – VAT

- Rentals for residential purposes are VAT-exempt. Exercising the option for VAT is possible if the tenant uses the real estate for VAT-able supplies. No option for VAT for rentals to banks, insurances and public authorities (VAT rate of 19 %).
- To the extent the building is rented-out with VAT, input VAT (e.g. for repair, maintenance and construction) can be deducted.

Input VAT correction – property

- 10 years (for every year of change 1/10 of the already claimed input VAT).

Depreciation – real estate

- Land: No depreciation.
- Buildings: 3.0 % for business assets p.a.
- Residentially used buildings 2 % p.a. (or 2.5 % for buildings constructed prior to January 1st, 1925).
- Allocation land and buildings: According to the corresponding fair market values (e.g. land according to the price per sqm).

Current operating expenses

- Normally the tenant bears the costs.

Conclusion of rental contracts (rental for business purposes)

- No statutory fees are applicable.



ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax & stamp duties

- A real estate transfer tax (“RETT”) of 3.5 % – 6.5 % (tax assessment base: net purchase price) is applicable. The real estate tax rate depends on the federal state, in which the real estate property is situated (location of the real estate). The RETT is borne by the seller and the buyer (and typically paid by the buyer).
- The transfer is subject to a land registration fee (approx. 1 %) and notary fees.

Interest on debt financing of acquisitions

- Interest on debt is deductible (arm’s-length principle and interest limitation rule).

Share Deal

Real estate transfer tax & stamp duties

- The RETT is avoidable if less than 95 % of the shares are acquired (under review by the legislator; changes are expected, e.g. lowering of the 95%-trigger threshold to 90 %). Please note that a tax reform is still pending.
- The tax rate ranges from 3.5 % to 6.5 % of a specifically calculated value (usually a bit lower than the fair market value) depending on the federal state of the property holding company.
- The transfer is not subject to a land registration fee, although the registration in the company register is necessary.

Interest on debt financing of acquisitions

- Interest on debt financing of an acquisition of shares (in a partnership and corporate entity) is deductible under certain conditions.

Other aspects

- A group taxation is possible (“Organschaft”).

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- The capital gain of companies (limited or unlimited liability to tax) is subject to a tax rate of 15.825 % (CIT incl. solidarity surcharge) plus 7 % – 18 % trade tax (depending on the municipality). Foreign companies (subject to limited tax in Germany) are not subject to trade tax if they have no permanent establishment in Germany and their only business is letting and leasing.
- Sale by private persons: Subject to income tax at normal rates plus trade tax. If the real estate privately held for more than 10 years is sold, private persons are not subject to income tax.

VAT

- The sale of real estate is basically VAT-exempt. The seller can opt for VAT (a statutory VAT rate of 19 % is applicable) if the buyer is an entrepreneur.

Share Deal

Income tax (I)

- A capital gain from the sale of a domestic limited liability company with real estate property in Germany is subject to tax in Germany. German CIT (15,8 %) is levied on the capital gain in the amount of 5 % (participation exemption at the rate of 95 %) if the seller is a foreign company (a national seller is also subject to trade tax).
- According to a German court decision the capital gain is only subject to tax if the shares (in the sold corporation) can be allocated to the vendor's fixed establishment in Germany. As the vendor usually has no PE in Germany, Germany has no right of taxation.
- If the relevant double taxation treaty does not contain a real estate clause, the capital gain is taxable in the jurisdiction of the seller.

Income tax (II)

- Taxation of the sale of shares in a domestic partnership: See Asset-Deal.

VAT

- In Germany the sale of shares is VAT-exempt (input VAT is non-deductible).



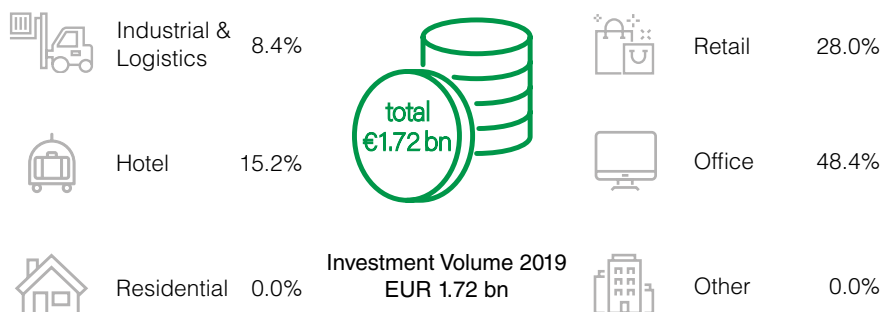


REAL ESTATE INVESTMENT MARKET HUNGARY

In Hungary, H2 2019 brought another strong rally on the investment market with a total turnover volume of EUR 1.15 billion from 32 transactions. Although the volume marked an 11 % y/y decrease, it boosted the total 2019 turnover figure to EUR 1.72 billion across 55 deals, which was up by 4 % y/y and the second-highest reading of this market cycle. In light of the high annual volume, the resilience of the local market exceeded our earlier expectations and further cemented the current boom period, being the fourth consecutive year with a turnover above EUR 1.5 billion.

The sentiment around Hungarian real estate has remained solid as we stepped into 2020. This is underpinned by several factors, including the continuously supportive monetary environment, robust investor sentiment as well as considerable new stock coming to market that is available to trade.

INVESTMENT VOLUME BY SECTOR 2019



PRIME YIELD 2019



GENERAL TAX INFORMATION

- The corporate income tax rate in Hungary amounts to 9 %. The marginal rate of tax for individual persons is 15 % (flat rate).
- The preferred local legal form of an organization is the corporation (Kft or Rt), which is treated as non-transparent for tax purposes. A Hungarian partnership (Bt) – as an alternative legal form – is subject to CIT. Transparency for tax purposes is not known in Hungary.
- A new legislation has become effective as of January 1st, 2019 (interest limitation rules, CFC rules, hybrid mismatch rules etc.), which implements the EU-ATAD I. In general, interest for loans financing business activities is deductible. Based on the new legislation, the interest expense is tax deductible if the net financing cost does not exceed HUF 939,810,000 (approximately EUR 3,000,000; tax-exempt amount) or the net financing cost does not exceed 30 % of the company's tax-adjusted EBITDA. The interest limitation rule applies to interest payments in relation to transactions with related parties and/or third parties. Interest between related parties must be determined based on the arm's length principle.
- A special group taxation regime for corporate entities has become effective as of January 1st, 2019. Hungary has an extensive network of double taxation treaties. Real estate clauses are included in some of them. The MLI was signed on June 7th, 2017 (not yet in force). The MLI partially modifies the tax treaty between Hungary and Austria.
- Hungary implemented the DAC-6 Directive by way of Law LXXII of 2019. Under the Hungarian DAC-6 provision, taxpayers and intermediaries are required to report relevant cross-border arrangements as of July 1st, 2020. Reports must retroactively cover arrangements implemented after June 25th, 2018.

FOCUS ON REAL ESTATE

Rental income – VAT

- Renting of residential and immovable business property is VAT-exempt.
- The lessor can opt for VAT liability.
- The option for VAT can be exercised for residential and immovable business property.

Input VAT correction – property

- 20 years (for every year of change of the property's usage for VAT purposes 1/20 of the input VAT already claimed).

Depreciation – real estate

- Land: In general, no depreciation. Extraordinary depreciation is possible.
- Buildings and other properties:
 - Durable construction: 2 % (concrete, reinforced concrete, brick, etc.).
 - Medium-life construction: 3 % (light steel and other metals, etc.).
 - Lightweight construction: 6 % (planks, etc.); rental property: 5 %.

Current operating expenses

- Normally the tenant bears the costs.

Conclusion of rental contracts (rental for business purposes)

- No statutory fees are applicable.



ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax & stamp duties

- Acquisitions are subject to real estate transfer tax.
- The tax base is the market value without deduction of financing debts.
- The tax rate is 4 % for amounts of up to EUR 3.3 million (2 % for the exceeding part). Tax cap: EUR 700k per real estate.
- There are some insignificant fees for the registration of ownership in the land registry.

Interest on debt financing of acquisitions

- According to the provisions to be applied as of 2019, net borrowing costs are non-deductible for tax purposes if they exceed 30 % of the tax-adjusted EBITDA or a threshold of HUF 939,810,000 (EUR 3 million).

Other aspects

- The lease of real estate is subject to local business tax (tax base: sales revenues minus material costs minus mediated services minus cost of sales). The tax rate depends on the local government (max. 2 %, in Budapest 2 %).

Share Deal

Real estate transfer tax & stamp duties

- An acquisition is only subject to real estate transfer tax if the consolidated shares owned by related parties reach or exceed 75 %.
- The tax base is the market value without deduction of financing debts. The tax rate is 4 % for amounts of up to EUR 3.3 million, 2 % for the exceeding part; the tax cap amounts to EUR 700k per real estate.

Interest on debt financing of acquisitions

- Please see the information provided on an asset deal.

Other aspects

- Local business tax (see Asset Deal) is also applicable at the level of the purchased company.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- The capital gain for companies (limited or unlimited liability to tax) is subject to a tax rate of 9 % (CIT). A tax exemption is not applicable.
- Sale by private persons: 15 % income tax (with exceptions).

VAT

- The revenue from the sale of real estate property is VAT-exempt. The seller can opt for tax liability (27 %). The VAT option has to be made via reporting to the tax authority. The report has to be submitted until the end of a calendar year.
- Exception: The sale of building plots and of land with buildings without permit of use or with permit of use not older than 2 years is always taxable.

Share Deal

Income tax

- A capital gain from the sale of a domestic company with real estate property in Hungary is not subject to tax in Hungary if the double taxation treaty does not contain a real estate clause (the country of the vendor's residence is awarded the taxation right).
- Otherwise the capital gain is subject to 9 % CIT in case of companies and 15 % income tax applies to private individuals.
- Local tax exemption: If a Hungarian company reports the acquisition of shares in a Hungarian or foreign company to the tax authority, the capital gain is tax-exempt after a holding period of 1 year. The local tax exemption can only be exercised by Hungarian tax payers.

VAT

- In Hungary the sale of shares is VAT-exempt (input VAT is non-deductible).



MONTENEGRO

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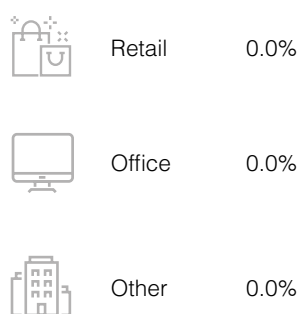


REAL ESTATE INVESTMENT MARKET MONTENEGRO

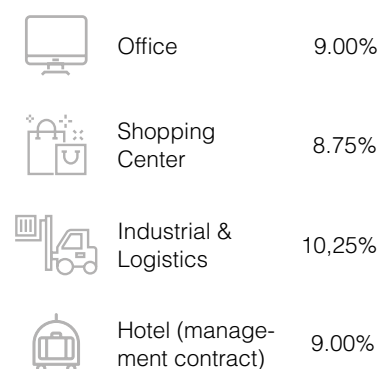
When compared to other regional markets, Montenegro offers limited amount of modern office and retail supply. Exclusive of its attractive emerging coastal hospitality market, commercial real estate segment is the most developed in the capital Podgorica. Still, over the recent years investment volumes were rather low with investors focusing on the core assets. This has resulted in the sale of several shopping centres and office buildings in the capital over the previous three years.

Year 2019 was rather slow with limited number of transactions. Investors were mainly interested in hotel industry which has been expanding at fast pace recently with focus on the coastal area. Year 2019 has recorded sale of several hotels, acquired mainly by local investors with further refurbishment plans. With continual development of commercial real estate market, more institutional investors will come to the market which will further improve country's appeal on the global level.

INVESTMENT VOLUME BY SECTOR 2019



PRIME YIELD 2019



GENERAL TAX INFORMATION

- The CIT rate amounts to 9 %. A withholding tax of 9 % is levied on the employment income.
- A newly established legal entity performing an activity in economically underdeveloped municipalities is enabled to reduce corporate income tax and tax on income on natural persons in the first eight years in the amount of 100 %. The total amount of tax exemption for a period of eight years may not exceed EUR 200k.
- The preferred local legal form is the limited liability company (d.o.o.). This legal form is treated as non-transparent for tax purposes. Also, partnerships (o.d., k.d.) are treated as non-transparent for tax purposes. However, they are rarely used as legal forms.
- The EU-ATAD I & II are not applicable in Montenegro as the state is no EU or EEA member.
- A special group taxation regime for corporate entities exists.
- Moreover, Montenegro has an extensive network of double taxation treaties. Real estate clauses are included in some of them. The MLI entered into force on October 1st, 2018 and partially modifies the tax treaty between Montenegro and Austria.
- The DAC-6 Directive is not applicable in Montenegro as the state is no EU or EEA member.

FOCUS ON REAL ESTATE

Rental income – VAT

- The rental income is subject to 21 % VAT.
- Renting apartments to individuals for residential purposes is VAT-exempt without the right of input VAT deduction (no option for VAT).

Input VAT correction – property

- The period for input VAT correction is 10 years since the first use of property (after acquisition of property).
- The period for input VAT correction is also 10 years since the investment in construction structures was terminated.

Depreciation – real estate

- Land: No depreciation.
- Real estate:
 - Tax depreciation rate of 5 %.
 - Assessment base: Fair value – acquisition price of the real estate or accounting depreciation rate (if lower).

Current operating expenses

- In general, the tenant bears the costs.

Conclusion of rental contracts (rental for business purposes)

- No statutory fees are applicable.



ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax & stamp duties

- The following transfers with consideration are subject to real estate transfer tax (if the transfer is not subject to VAT):
 - Ownership of immovable property,
 - rights of use of construction land,
 - renting of construction land in public ownership for a period longer than 1 year or for an indefinite time period for the purpose of constructing buildings.
- If the transfer is subject to VAT, real estate transfer tax is not applicable.
- The transfer of immovable property's ownership as a part of structural changes (e.g. mergers, demergers, capital contribution) is exempt from the real estate transfer tax.
- The basis of assessment is the agreed sales price, which may be reassessed by the tax authorities if it is below the market value.
- A tax rate of 3 % is applicable.

Interest on debt financing of acquisitions

- Interest on debt is deductible under the same conditions as interest payable on other types of borrowing made in the course of business.

Share Deal

Real estate transfer tax

- Real estate transfer tax is not applicable.

Interest on debt financing of acquisitions

- Please see the information provided for an asset deal.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- Taxation of legal entities: 9 % CIT on capital gain for resident and non-resident companies (capital gains could be offset with capital losses).
- Taxation of individual persons: 9 % capital gains tax (paid by the seller of the real estate). Tax exemption and tax refund are possible (under certain circumstances).

Real estate transfer tax / VAT

- The first transfer of is subject to 21 % VAT. The second and every subsequent transfer of real estate is subject to 3 % real estate transfer tax.

Share Deal

Income tax

- The capital gain is subject to 9 % CIT if the seller is a resident company (capital gains could be offset with capital losses).
- A capital gain from the sale of a domestic company with real estate property in Montenegro is not subject to tax in Montenegro if the double taxation treaty does not contain a real estate clause (the vendor's country of residence has the taxation right).
- Otherwise 9 % CIT on capital gain if the seller is a non-resident company (also depending on double taxation treaty's provisions).

VAT

- The sale of shares is VAT-exempt in Montenegro (input VAT is non-deductible).



BACK

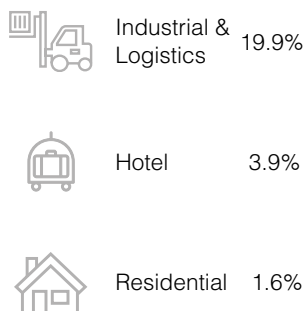


REAL ESTATE INVESTMENT MARKET POLAND

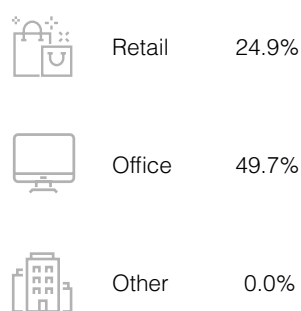
In 2019, the total investment volume totaled at 7.7 billion EUR what represents a 7% increase in comparison to the previous year. Summing up, investment activity in 2019 amounted to 35 % above the 5-year average. It is important to note that the total volume in 2018 was itself a historical record amounting to EUR 7.2 billion and increased around 44 % compared to 2017. The largest market share in 2019 was held by office transactions, which accounted for 50 % of all contracts. The second and third place, but with a much smaller volume, are occupied by transactions in the retail and industrial sectors.

Further capital inflows and the low interest rate environment are putting yields under further downward pressure, particularly in the industrial sector, while retail yields remain stable, most likely due to emergence of e-commerce. Office sector yields, which were sharpening for a long time, have deaccelerated, but are expected to still go down long-term. It is worth noting, however, that yields are on levels of historical low, but that pricing per sq m is still on market levels.

INVESTMENT VOLUME BY SECTOR 2019



Investment Volume 2019
EUR 7.71 bn



PRIME YIELD 2019



GENERAL TAX INFORMATION

- The corporate income tax rate in Poland amounts to 19 %. The marginal tax rate for individual persons is 32 % (if the income exceeds approx. EUR 22,000). A tax rate of 18 % applies if the income of the individual is lower than EUR 22,000.
- The preferred local legal form is the corporation (Polish: Sp. z o.o. or SA), which is treated as non-transparent for tax purposes. An alternative legal form in Poland is the partnership. Due to the pass-through principle, the partnership itself is not the subject of income taxation, but its partners. It is deemed that a participation in a partnership creates a permanent establishment ("PE") in Poland for its partners (every partner has a PE in Poland). Partnerships similar to KGaA (Kommanditgesellschaft auf Aktien) are subject to CIT taxation (non-transparent vehicles for tax purposes).
- The EU-ATAD I & II have been implemented to a large extent. The deductibility of interest is restricted based on earning-stripping rules. Costs of immaterial services (e.g. advisory, management) incurred, directly or indirectly, for the benefit of related parties or entities situated in jurisdictions with harmful tax competition may not be recognized as tax-deductible costs in the amount exceeding 5 % of the EBITDA. The limitation does not apply to costs not exceeding PLN 3 million. The surplus of debt financing costs exceeding 30 % of the tax-adjusted EBITDA according to criteria of the CIT law may not be recognized as tax-deductible costs. The limitation does not apply to the surplus not exceeding PLN 3 million and to financial enterprises.
- Furthermore, a special group taxation regime for corporate entities is provided by Polish tax law. Poland has an extensive network of double taxation treaties. As of 2019 Poland has modified its rules on due care procedure required for the beneficial WHT rate or exemptions and is gradually moving from tax relief at source to the collect & refund withholding regime. Real estate clauses are included in many double taxation treaties. The MLI entered into force on July 1st, 2018 and partially modifies the tax treaty between Poland and Austria.
- In 2019 Poland implemented mandatory disclosure rules based on the DAC-6 Directive in a broader manner than required by the EU-Directive.

FOCUS ON REAL ESTATE

Rental income – VAT

- Renting is generally subject to VAT. However, an exception would be the long-term lease of residential property, which is VAT-exempt.
- In case of a VAT exemption, no option for VAT taxation is possible.

Input VAT correction – property

- 10 years (1/10 of the already deducted input VAT for every year of change of the property's usage for VAT purposes).
- This applies also to the acquirer of property purchased as part of an enterprise or an organized part thereof.

Depreciation – real estate

- Land: No depreciation.
- Buildings and other properties:
 - Depreciation rates: 1.5 % - 10 %, with a basic rate of 2.5 % for commercial buildings and 1.5 % for residential buildings.
- Depreciation rates may be increased by a factor of 1.4 in certain cases.

Current operating expenses

- Normally the tenant bears these costs.

Conclusion of rental contracts (rental for business purposes)

- No statutory fees are applicable.

ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax:

- No real estate transfer tax.

Tax on civil law transactions:

- The sale of real estate is basically VAT-exempt (e.g. obligatory VAT exemption for the sale of land not destined for development), but the seller and the vendor can exercise the option for VAT (various requirements to be met). The rates vary from 8 % (residential) to 23 % (commercial) VAT.
- The tax on civil law transactions – provided that the sale is VAT-exempt – varies from 1 % (different types of rights) to 2 % (real estate property) of the market value of the assets (paid by the buyer).

Interest on debt financing of acquisitions:

- Generally deductible (subject to general EU restrictions). The statutory limit for tax deductibility of interest in Poland is PLN 3 million or 30 % of the tax-adjusted EBITDA per year.
- In the case of debt-push down scenarios, interest is not deductible for tax purposes.

Enterprise Deal

Real estate transfer tax & stamp duties:

- No real estate transfer tax.

VAT & tax on civil law transactions:

- The transaction is not subject to VAT. In this case the tax on civil law transactions is paid by the buyer (tax rate of 2 % of the market value). The tax rates amount to 1 % of the purchase price (market value) for the sale of other property interest, respectively.

Interest on debt financing of acquisitions:

- Generally deductible (subject to general EU restrictions). The statutory limit for tax deductibility of interest in Poland is PLN 3 million or 30 % of the tax-adjusted EBITDA per year.
- In case of debt-push down scenarios interest is non-deductible.

Other aspects:

- In December 2018 the Ministry of Finance issued formal clarifications on the distinction between asset deals and enterprise deals in the real estate business, which may be helpful for a case-by-case analysis.

Share Deal

Real estate transfer tax & stamp duties:

- No real estate transfer tax.

VAT & tax on civil law transactions:

- The transaction is not subject to VAT. In this case tax on civil law transactions at the rate of 1 % of the market value of the shares is paid by the buyer.

Interest on debt financing of acquisitions:

- Generally deductible (subject to general restrictions). The statutory limit for tax deductibility of interest in Poland is PLN 3 million or 30 % of the tax-adjusted EBITDA per year.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax:

- The capital gain of companies is subject to a tax rate of 19 % (CIT).

VAT:

- The sale of real estate is basically VAT-exempt; the seller has no right to deduct input VAT. However, the seller and the vendor can exercise the option for VAT (various requirements have to be met).
- The VAT rates vary from 8 % to 23 %.
- Obligatory VAT exemption for the sale of land without the purpose of development.

Enterprise Deal

Income tax:

- The income is subject to CIT taxation at the rate of 19 %.

VAT

- The transaction is not subject to VAT.

Share Deal

Income tax:

- Sale of shares in a joint-stock corporation / limited liability company: Income subject to CIT taxation constitutes a separate source of income, which must not be set off against other sources.
- Sale of shares in a partnership: Generally, all rights and obligations of a partner in a partnership must only be transferred to another person if such a transfer is provided for in the articles of association. The income from the sale of shares in a limited partnership is subject to standard CIT taxation (deemed as a PE).

VAT

- In Poland VAT is not applicable to the sale of shares.



ROMANIA

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REAL ESTATE INVESTMENT MARKET ROMANIA

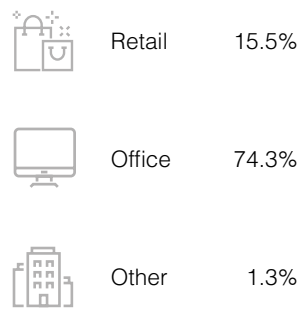
Romania's investment volume broke the one-billion-euro barrier and totaled at the end of 2019 EUR 1.06 billion, finally surpassing the previous peak volume reached 5 years ago. The year-end total investment volume was around 7 % higher than the figures registered in 2018, reflecting an upward trend since 2015. The average deal value for the entire year stands at EUR 29 million quite similar to previous year's average value.

Bucharest attracted 64 % of the total investment volume, while the remaining 36 % were represented by deals signed outside of the capital. The office sector dominated the transactional activity with 74 % of the total volume, followed at a considerable distance by retail with 16%, while industrial, hotels and mixed-use projects claimed a combined share of 10 %.

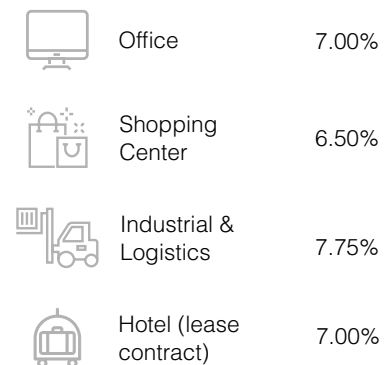
INVESTMENT VOLUME BY SECTOR 2019



Investment Volume 2019
EUR 1.06 bn



PRIME YIELD 2019



GENERAL TAX INFORMATION

- The corporate income tax rate in Romania amounts to 16 %.
- The preferred local legal forms are limited liability companies (SRL) and joint-stock companies (SA). Both legal forms are treated as non-transparent for tax purposes. Alternative legal forms are general partnerships, limited partnerships and partnerships limited by shares (all treated as non-transparent for tax purposes).
- The EU-ATAD I & II were fully implemented into national legislation. The interest limitation rule states that exceeding borrowing costs which are higher than the threshold of EUR 1 million are deductible in the period in which they are incurred up to 30 % of the company's tax-adjusted EBITDA. The surplus of debt financing costs exceeding 30 % of the tax-adjusted EBITDA may not be recognized as tax-deductible costs.
- A special group taxation regime for corporate entities does not exist.
- Romania has an extensive network of double taxation treaties. Real estate clauses are included in some of them. The MLI was signed on June 7th, 2017 (not yet in force). The MLI partially modifies the tax treaty between Romania and Austria.
- On January 9th, 2020, the Romanian Ministry of Finance published a draft bill for the implementation of the DAC-6 Directive (start of reporting on July 1st, 2020). Relevant cross-border arrangements must already be monitored for the period starting as of June 25th, 2018.

FOCUS ON REAL ESTATE

Rental income – VAT

- Renting of immovable property is VAT-exempt without input VAT deduction (no difference between residential and office buildings).
- The lessor can opt to charge VAT.

Input VAT correction – property

- The period for adjustment of input VAT is 20 years (5 % per year).

Depreciation – real estate

- Land: No depreciation.
- Buildings: Subject to straight-line depreciation:
 - Industrial buildings, office buildings, hotels: 1.7 % - 2.5 % per year.
 - Commercial buildings used for warehousing and distribution: 2 % - 3 % per year.
 - Lightweight construction: 4 % - 6 % per year.

Current operating expenses

- Normally the tenant bears the costs.

Conclusion of rental contracts (rental for business purposes)

- No statutory fees are applicable.



ACQUISITION OF REAL ESTATE

Asset Deal

Fees & stamp duties

- The ownership transfer of real estate is subject to fees for registration in the real estate register as follows:
 - Transfer to companies: 0.5 % of the property's value.
 - Transfer to individuals: 0.15 % of the property's value.
- Notary fees may also apply to the transfer of real estate.

Share Deal

Interest on debt financing of acquisitions

- Under Romanian law, expenses which are linked to non-taxable income are non-deductible (e.g., interest is incurred for generating non-taxable revenues).

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- Sale of immovable property by legal entities: 16 % CIT is applicable to the taxable gain (i.e. sales price less fiscal value, e.g. the acquisition or construction value).
- Sale of real estate properties by individuals: 3 % income tax on the revenue exceeding RON 450,000 (revenue below this limit is non-taxable; approx. EUR 95,000).
- Tax exemptions may apply to donations between close relatives and between spouses as well as to inheritances under certain conditions.

VAT

- The sale of new real estate property and land suitable for real estate property is subject to VAT.
- Real estate is considered as new if it is sold in the year of commissioning (or of substantial transformation) or by December 31st of the following year.
- However, sales of new real estate and land suitable for real estate concluded between taxable persons registered for VAT purposes in Romania are subject to reverse charge.
- The sale of other categories of real estate (e.g. old real estate) and land is VAT-exempt without credit (but the seller may opt to charge VAT; no significant requirements for VAT option).

Share Deal

Income tax

- Legal entities are subject to 16 % CIT.
- Exception: If the seller holds at least 10 % of the shares for an uninterrupted period of at least 1 year, the capital gains are exempt from tax under certain conditions. The local legislation stipulates that this participation exemption applies to:
 - Romanian companies selling shares in other companies;
 - foreign companies selling shares in Romanian companies.In case a foreign company is involved as buyer/seller, the exemption is granted provided there is a tax treaty in effect with its home country (specific requirement in the local law).
- Capital gains from the sale of shares in a Romanian company / partnership (general/limited/limited by shares) owning real estate property in Romania are not subject to tax in Romania at all if the applicable double taxation treaty contains no real estate clause and the right of taxation is assigned to the country of the vendor's residence.

VAT

- In Romania the sale of shares is VAT-exempt.



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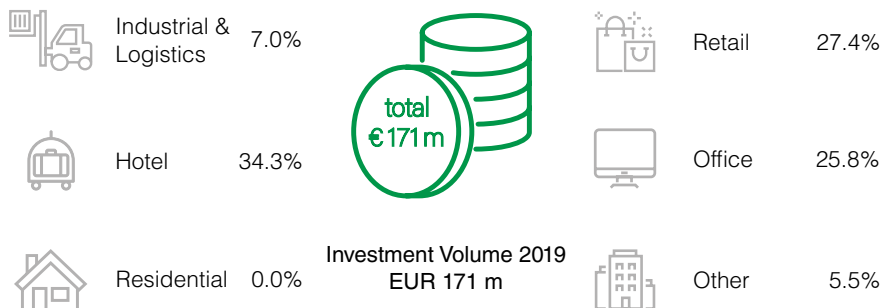


REAL ESTATE INVESTMENT MARKET SERBIA

Strong investment market results have been recorded for five years in a row. However, compared to the year before, the investment volume in 2019 was 40 % lower. During the year both domestic and foreign investors were still very active, mainly acquiring assets in Belgrade. Among the notable transactions were acquisitions of BIG CEE including Capitol Park Rakovica and Fashion Park Indjija. In addition, one smaller office building was acquired in the city centre by Wiener Städtische Insurance company.

Investors are expected to remain active in the retail and office segment as well. Significant increase of supply is expected in the following 12 months, which may put downward pressure on the rental levels in both segments. Further development of industrial market is ongoing, and investors already started seeking for opportunities in this segment as well.

INVESTMENT VOLUME BY SECTOR 2019



PRIME YIELD 2019



GENERAL TAX INFORMATION

- The corporate income tax rate in Serbia amounts to 15 % (flat rate). A withholding tax of 10 % is levied on employment income (flat rates from 10 % to 20 % for other income categories). The preferred local legal form is the limited liability company (d.o.o.). This legal form is treated as non-transparent for tax purposes. Also partnerships (o.d., k.d.) are treated as non-transparent for tax purposes. However, they are rarely used as legal forms.
- The EU-ATAD I & II are not applicable in Serbia as the state is no EU or EEA member.
- The Serbian tax law provides constraints regarding interest deductibility. If an interest-bearing loan is granted from a related party, a thin cap rule (debt-to-equity ratio) is applicable. The amount of interest and other expenses deductible for tax purposes (related to the loan) must not exceed a debt-to-equity ratio of 4:1. After the first restriction (thin cap rule) is passed, the second restriction is a transfer pricing test. Both restrictions are only applicable if the loan is granted from a related party.
- A special group taxation regime for corporate entities exists in Serbian law.
- Furthermore, Serbia has an extensive network of double taxation treaties. Real estate clauses are included in some of them. The MLI entered into force on October 1st, 2018. The MLI partially modifies the tax treaty between Serbia and Austria.
- The DAC-6 Directive is not applicable in Serbia as the state is no EU or EEA member.

FOCUS ON REAL ESTATE

Rental income – VAT

- Subject to 20 % VAT.
- Exception: Renting apartments to individuals for residential purposes is VAT-exempt without the right of input VAT deduction (no option for VAT).

Input VAT correction – property

- The period for input VAT corrections is 10 years since the first use of property (after acquisition of property). The period for input VAT corrections is also 10 years since the investment in construction structures was terminated.

Depreciation – real estate

- Land: No depreciation.
- Real estate:
 - Tax depreciation rate of 2.5 %.
 - Assessment base: Acquisition price of the real estate or accounting depreciation rate (if lower).

Current operating expenses

- In general, the tenant bears the costs.

Conclusion of rental contracts (rental for business purposes)

- No statutory fees are applicable.



ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax

- The following transfers with consideration (if the transfer is not subject to VAT) are subject to real estate transfer tax:
 - Ownership of immovable property,
 - rights of use of construction land,
 - renting of construction land in public ownership for a period longer than 1 year or for an indefinite time period for the purpose of constructing buildings.
- If the transfer is subject to VAT, real estate transfer tax is not applicable.
- The basis of assessment is the agreed sales price, which may be reassessed by the tax authorities if it is below the market value.
- A tax rate of 2.5 % is applicable.

Interest on debt financing of acquisitions

- Deductible under the same conditions as interest payable on other types of borrowing made in the course of business.

Share Deal

Real estate transfer tax

- Not applicable.

Interest on debt financing of acquisitions

- Please see the information provided for an asset deal.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- Taxation of legal entities: 15 % CIT on capital gain in case the seller is a resident company (capital gains could be offset with capital losses). 20 % CIT on capital gain in case the seller is a non-resident company.
- Taxation of individual persons: 15 % capital gains tax (paid by the seller of the real estate). Tax exemption and tax refund are possible (under certain circumstances).

Real estate transfer tax / VAT

- The first transfer of buildings and economically separable units used for business purposes (e.g. office spaces) is subject to 20 % VAT. The first transfer of residential buildings (and such economically separable units) is subject to 10 % VAT. The second and every subsequent transfer of real estate can be either:
 - Subject to VAT - provided that both parties of the transaction agree to apply for VAT and the buyer is allowed to fully recover the VAT charged on the transfer as input VAT, or
 - subject to 2.5 % real estate transfer tax (unless VAT does not apply).

Share Deal

Income tax

- 15 % CIT on capital gain in case the seller is a resident company (capital gains could be offset with capital losses).
- A capital gain from the sale of a domestic company with real estate property in Serbia is not subject to tax in Serbia if the double taxation treaty does not contain a real estate clause (the vendor's country of residence has the taxation right). Otherwise 20 % CIT on capital gain in case the seller is a non-resident company (also depending on double taxation treaty's provisions).

VAT

- The sale of shares is VAT-exempt in Serbia (input VAT is non-deductible).



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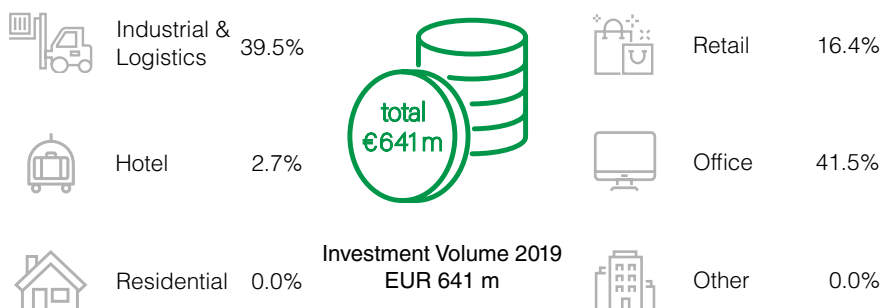


REAL ESTATE INVESTMENT MARKET SLOVAKIA

The most important sector of the market that attracted the most investment volume in 2019 was the office building sector followed closely by the industrial property sector. For the first time, a large institutional investor from South Korea was attracted to Slovakia. The arrival of such an investor confirms the interest of investors from all over the world as well as standardization, transparency and openness of the Slovakian market.

Last year's biggest investment activity took place in the Bratislava region. This deals investment volume amounted to EUR 120 million and reflects almost 20 % of the total investment market in Slovakia. Regarding the number of investment transactions, the most attractive location was traditionally the Bratislava region, where 9 investment projects with a total volume of EUR 263 million were transacted in 2019.

INVESTMENT VOLUME BY SECTOR 2019



PRIME YIELD 2019



GENERAL TAX INFORMATION

- The corporate income tax rate in Slovakia amounts to 21 % and the taxable income of individual persons is subject to a tax rate of 19 %. If the assessment base exceeds EUR 37,163.36, a tax rate of 25 % applies to the part of the tax assessment base exceeding EUR 37,163.36.
- The preferred local legal form is the corporation (limited liability company s.r.o. or joint-stock companies a.s.), which is treated as non-transparent for tax purposes. An alternative legal form is the general partnership (considered as tax-transparent) or the limited partnership, which is a combination of a general partnership and a limited liability company and is treated as partly non-transparent for tax purposes. The limited partnership is transparent for tax purposes as regards the taxation of the general partner, therefore, profit received by a general partner is taxed according to that partner's tax status. In contrast, the limited partnership is treated as non-transparent for tax purposes as regards the profit shares of the limited partners (subject to CIT at the level of the limited partnership).
- The EU-ATAD I & II are partially implemented (legislation relating to hybrid mismatches, CFC, exit taxation). Interest received from related parties is tax-deductible up to 25 % of the tax-adjusted EBITDA. In 2018 the European Commission stated that the Slovakian national provision with regard to the interest limitation rule is equally effective as the limitations on the deductibility of interest provided under the EU-ATAD I. Therefore, Slovakia may continue to apply the national regulation until January 1st, 2024. Interest on financing of acquisition of investment are treated as tax deductible at the time of further sale of shares under the condition the sale of shares will not be exempted from tax.
- A special group taxation regime for corporate entities does not exist. Slovakia has an extensive network of double taxation treaties. Real estate clauses are included in some of them. The MLI entered into force on January 1st, 2019. The MLI partially modifies the tax treaty between Slovakia and Austria.
- On September 11th, 2019, the parliament approved the draft law implementing the DAC-6 Directive. The Law will enter into force on July 1st, 2020 with some exceptions.

FOCUS ON REAL ESTATE

Rental income – VAT

- Rentals of immovable property are VAT-exempt. The lessor can opt for tax liability (a VAT rate of 20 % is applicable). The option for VAT is not available as regards rental of a flat, family house or a house with several apartments.
- Input VAT cannot be deducted in respect of VAT exempt rents.
- Accommodation services, renting of premises and sites for vehicle parking, renting of permanently installed equipment and machinery are subject to a VAT rate of 20 % (no VAT-exemption).

Input VAT correction – property

- The period for adjustment of input VAT is 20 years.

Depreciation – real estate

- Land: No depreciation. The loss from the sale of land is non-deductible for tax purposes.
- Buildings:
 - Office buildings, hotels, museums, etc.: Tax depreciation of 2.5 %. The loss from the sale of a building depreciated with 2.5 % is non-deductible for tax purposes.
 - Factories, warehouses, engineering buildings: Tax depreciation of 5 %.
 - Pre-fabricated buildings, etc.: Tax depreciation of 8.33 %.
 - In case the immovable property is rented, the tax depreciation is limited (limitation by the whole rental revenue if revenues from rent are below the yearly tax depreciation of the property).

Current operating expenses

- Normally the tenant bears the costs.

Conclusion of rental contracts (rental for business purposes)

- No statutory fees are applicable.

ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax

- No real estate transfer tax.

Interest on debt financing of acquisitions

- Treated as tax-deductible if the loan was used for the acquisition of assets, which generates taxable income.
- Based on the thin capitalization rules, interest expenses on loans from related parties exceeding 25 % of a company's tax-adjusted EBITDA are non-deductible.

Other aspects

- A building construction in the municipality, for which a valid building permission has been issued, is subject to local development tax. The levy rate ranges between EUR 3 to EUR 35/m² of the floor area (selected types of buildings are not subject to development tax).

Share Deal

Real estate transfer tax

- No real estate transfer tax.

Interest on debt financing of acquisitions

- Interest on financing of acquisitions is treated as tax-deductible if the sale of shares is not tax-exempt (various conditions to be met).

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- The capital gain for companies is subject to a tax rate of 21 %.
- For private individuals the capital gain from the sale of immovable property is exempt from income tax after 5 years from its acquisition or disposal of the business property, otherwise tax rate of 19 % / 25 % applies.

VAT

- The sale of buildings, including building lots, is VAT-exempt if the sale takes place 5 years after:
 - (a) the first commissioning approving the use of the building, or 5 years after the start of the first use of the building, or
 - (b) the commissioning approving the use of the building, which approves the change of usage of the building/the change of conditions of usage of the building, if the costs for works exceed 40 % of the building`s value before the start of such works.
- In case the transaction is realised 5 years after the events defined in (a) or (b), the seller can opt for tax liability, whereas the domestic reverse charge VAT procedure applies if both sides are Slovak VAT payers. If a residential building, a flat, or an apartment is sold 5 years after the events defined in (a) or (b), no option for VAT is possible.
- The sale of a building (including building lots) within 5 years after the events defined in (a) or (b) is subject to a VAT rate of 20 % and cannot be exempt from VAT.
- The sale of land other than building lots is always VAT-exempt (no option for VAT).

Share Deal

Income tax

- A capital gain from the sale of shares in a Slovak company with real estate property in Slovakia is not subject to tax in Slovakia if the applicable double taxation treaty does not contain a real estate clause and the right of taxation is assigned to the country of the vendor`s residence (subject to 21 % CIT if the double taxation treaty contains a real estate clause).
- Sale of shares in a Slovak company being a partnership:
 - The direct sale of an ownership interest in a general partnership is legally not possible (usually retirement of a partner and entry of a new partner).
 - The direct sale of an ownership interest in a limited partnership is possible only by its limited partner. The capital gain resulting from the retirement of a general partner is subject to tax in Slovakia (21 % if the general partner [=seller] is a corporation).
- The capital gain from the sale of shares is tax-exempt if the seller is a
 - Slovak company or
 - a foreign company with a permanent establishment in Slovakia, whereas the following conditions have to be met:
 - Possession of at least 10 % of shares for at least 24 months from the date of acquisition.
 - The seller performs substantial functions in the territory of Slovakia, manages and bears the risks associated with the ownership of the shares and has adequate personnel resources and material equipment to perform these functions.

VAT

- In Slovakia the sale of shares is VAT-exempt (no input VAT deduction).

SLOVENIA

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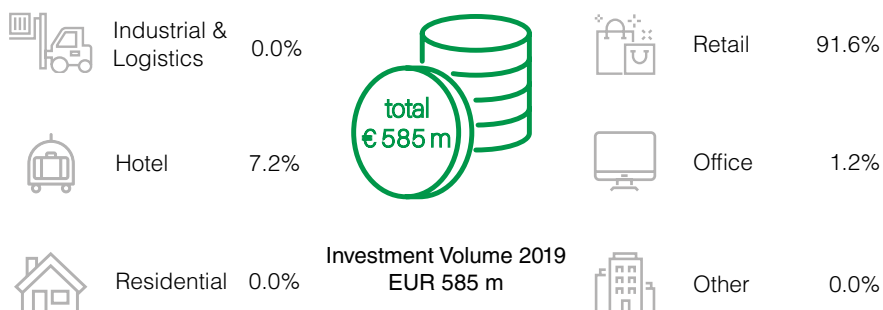


REAL ESTATE INVESTMENT MARKET SLOVENIA

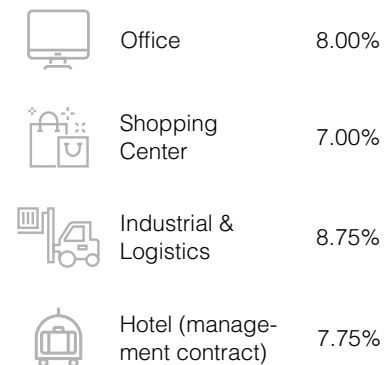
Unlike in other countries within the SEE region, investment activity in Slovenia has been tremendous during 2019, significantly supported by the well-established retail segment. The recorded retail volumes have been the highest within the previous decade, underpinned by several portfolio deals. The largest portfolio deal was Supernova acquisition of Qcentres for EUR 220 million, following to the sale of 15 Merkur assets to LCN Capital Partners for EUR 100 million. The highest share among investors was attributed to investors from Austria.

Over the years, investors have been mainly active in the retail segment, while office share has been increasing steadily, with more transactions expected in the following months. During 2019, office market recorded a sale of one smaller scale office building in a central city location.

INVESTMENT VOLUME BY SECTOR 2019



PRIME YIELD 2019



GENERAL TAX INFORMATION

- The corporate income tax rate in Slovenia amounts to 19 %. The marginal personal income tax rate is 50 % (if the income exceeds EUR 72,000).
- The preferred local legal form is the limited company (d.o.o.), which is treated as tax non-transparent. An alternative legal form is the partnership. For taxation purposes partnerships are treated like corporations.
- The EU-ATAD I & II (partially) have been in force since January 1st, 2019. In 2020 provisions regarding the elimination or neutralization of hybrid mismatches in connection with international tax structures were adopted. Interest received from related companies are both limited regarding their merits and their amount (maximum tax rates). Thin capitalization rules apply to interest on loans from shareholders holding directly or indirectly at least 25 % of the capital or voting rights of the tax payer at any time during the tax year. The rules do not apply if the loans do not exceed four times the value of the share capital owned by the shareholder. The debt-equity ratio is 4:1. The interest limitation rule of the EU-ATAD has not been transposed into domestic legislation so far.
- A special group taxation regime for corporate entities does not exist. Slovenia has an extensive network of double taxation treaties. Real estate clauses are included in some of them. The MLI entered into force on July 1st, 2018. The MLI partially modifies the tax treaty between Slovenia and Austria.
- On May 28th, 2019 the Slovenian National Assembly approved the Act amending the Tax Procedure Act (ZDavP-2L) implementing the DAC-6 Directive. The rules implementing the DAC-6 will be in force as of July 1st, 2020. The reporting obligation will start on the same day and will also be applied retrospectively to the date DAC-6 came into force (June 25th, 2018).

FOCUS ON REAL ESTATE

Rental income – VAT

- Renting of immovable property is VAT-exempt.
- Both parties can jointly opt for tax liability (VAT rate of 22 %).
Exception to the VAT option: Leasing of plant and machinery.

Input VAT correction – property

- The correction period for input VAT on real estate is 20 years.

Depreciation – real estate

- Land: No depreciation (extraordinary depreciation is possible).
- Buildings and other properties: 3 %; individual building units: 6 %.
- Depreciation over a shorter useful life is permitted for financial accounting purposes, but not possible for tax purposes.

Current operating expenses

- Normally the tenant bears the costs.

Conclusion of rental contracts (rental for business purposes)

- The conclusion of a contract is not subject to any statutory fee.



ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax

- The transfer of real estate is subject to a transfer tax of 2 % of the purchase price.

Share Deal

Real estate transfer tax

- No real estate transfer tax.

Interest on debt financing of acquisitions

- Interest on debt financing of an acquisition of shares (in a partnership and company) are tax-deductible. There is an exemption in the year of profit distribution with regard to 5 % of the distributed amount.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- A legal entity's gain is subject to a tax rate of 19 % CIT.
- Sale by individual person: The tax rate is 27.50 %. For speculative gains the tax rate is reduced for each 5-year period that the underlying asset is held. After 5 years the tax rate will be 20 % (after 10 years 15 %, after 15 years 10 %, zero after 20 years).

VAT

- The sale of real estate is – except the sale of building land – VAT-exempt (input VAT is non-deductible). The sale of real estate is subject to VAT if the sale was effected
 - before the object or parts of the object were moved in for the first time or used, or
 - prior to the expiration of 2 years after the first-time occupancy of the object.
- An option for VAT (VAT rate of 22 %) of real estate sales is possible if both contract parties (as entrepreneurs) are subject to VAT. The option for VAT should be exercised prior to the sale by joint declaration.
- The VAT rate for residential property under social policy amounts to 9.5 % (if certain requirements are fulfilled).

Share Deal

Income tax

- Capital gain by a local legal entity: As a general rule taxable (general CIT rate).
- A reduction of the tax assessment base by 50 % for capital gains from the sale of business companies (corporations and partnerships) is possible (capital gains reduction; applicable to a corporate resident entity or a permanent establishment of a non-resident entity). A minimum shareholding of 8 % and a 6-month holding period are required. During the holding period the company must have at least one full-time employee (40 hrs/week).
- Capital gains from the sale of shares in a company owning real estate property in Slovenia are not subject to tax in Slovenia if the applicable double taxation treaty contains no real estate clause. Otherwise, a CIT rate of 19 % is applicable.

VAT

- In Slovenia the sale of shares is VAT-exempt.



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»BUILD ON ADVANTAGE« is our principle. And many customers around the world trust in this. They benefit from our global network and know-how and also our local expertise. As a world leader in the area of commercial real estate, we offer a wide range of integrated services. Consultancy, leasing of office, commercial and retail space; management and expansion of shopping centers; project management, technical consultation and architecture; commercial real estate management and funding services; real estate valuation, sale and purchasing consultation; real estate market research, studies and analyses, maintenance and optimisation of property for owner occupiers. All from a single source!

CBRE has been active in Austria since 1991 and also looks after the CEE region from Vienna. Around 1600 members of staff advise property owners, investors, tenants and users about real estate. Our interdisciplinary team provides thorough services for projects and we are the only company in the market to offer an all-in-one solution in this field. Well-renowned customers rely on our integrity, high data security and many years of experience.

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TPA was founded in Langenlois in 1979 and is today one of the leading tax advisory, accounting and audit companies in Austria. TPA employs approx. 700 enthusiastic and qualified people in fourteen branches in Austria.

In addition to Austria, the TPA Group is active in eleven other countries of Central and South-Eastern Europe: in Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.

In total, the Group has more than 1,700 employees at 30 locations. The special competences of the TPA experts are, among other things, in the areas of labour, social and pension law, real estate, business start-ups, transformations of companies and successor models, as well as in the determination of the legal form.

Within the Baker Tilly International Network, the TPA Group and Baker Tilly in Germany form the Baker Tilly Europe Alliance. The Baker Tilly International Network includes 122 independent member firms with 742 offices in 146 countries and ranks among the 'Top Ten' of the Advisory and Audit networks active across the world.

Whatever the request, TPA offers its clients a comprehensive service, reliability and creativity and delivers competent solutions promptly.

TPAs work is based on highly specialised qualifications, experience gained over many years and personal onsite support of its clients.

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Andreas joined CBRE in 1991 as Managing Director of the newly founded office in Austria. In this role, he has first established the Vienna office and later the CBRE network in Central and Eastern Europe. He manages and coordinates the offices in the region. Andreas has extensive real estate knowledge, particularly in the investment market. He combines this experience with a particular focus on every client's business needs.



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He advises, above all, real estate companies and multinational companies.



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