

Real Estate Tax Consulting



Introduction



Deloitte CIS has accumulated a wealth of experience in providing tax consulting services to real estate companies in Russia and abroad. As the provision of services to real estate companies is one of our strategic priorities, we have created a group of specialists who focus on providing consulting services to companies operating in the industry. The group consists of highly qualified experts with long-standing real estate experience, including projects to optimize business strategies and investment portfolios, the creation of optimum operational and holding structures, and the provision of tax and legal assessments for large investment projects, among other things.

Our services

Please see below for some examples of the key services we offer.

Group structuring

Deloitte takes a complex approach to the creation of business structures, taking into account the particular strategy of the group of companies, the goals and aims of its management, and other requirements, such as stock market issues and the preferences of potential strategic investors. When carrying out structuring projects, we perform a detailed analysis of various factors that influence the ownership, financing, operational and management structures of the group of companies in question. We use Russian model holdings, as well as examples from other jurisdictions, to formulate the most effective approach, in order to ensure structural transparency and clarity, thereby increasing the project's investment attractiveness to the market.

Transaction support and structuring

Deloitte offers full transaction support to real estate companies. One of the objectives of transaction support and structuring is to create structures that assist in the implementation of a real estate investment project at every stage of the process. Some of the key factors we consider when creating a structure include the structure of its participants, the nature and characteristics of transactions between the participants, and the development of an alternative contractual relationship. We develop our recommendations, taking into consideration the level of flexibility of tax treatment, exit strategy, and the possibility of managing an item of real estate upon consideration of the potential tax risks, in addition to developing a risk mitigation strategy.

Apart from real estate investment projects, Deloitte CIS can provide transaction support and structuring services for mergers and acquisitions, and sales/purchases of assets. At your request, our specialists can analyze entrance strategies, develop financing options and mechanisms for the distribution of income from the sale of assets, and comment on any potential tax risks.

In addition to these services, we can provide a number of pre-investment procedures to analyze the tax risks involved in the acquisition of a company or a complex business structure (due diligence). In the course of tax due diligence, we review the target's tax returns for the period under review by the tax authorities. Ultimately, tax due diligence is an effective measure with regard to regulating the offer price for a target.

Tax opinions

When granting a loan, credit institutions often seek the opinion of a tax consultant with global recognition in transaction structuring or providing services to groups of companies. Our specialists have wide-ranging experience in implementing projects that involve the provision of a tax opinion with regard to the tax efficiency of the financing structure, the adequacy of the mechanisms for distributing interest and dividend income, and/or the tax efficiency of the group as a whole, according to the demands of the bank.

Analysis of special investment instruments – fund structures

The real estate market is currently being saturated with various fund structures – Russian (closed-end investment funds, ZPIFs) and foreign (direct investment funds, special real estate funds, REITs). These instruments provide various advantages with respect to asset ownership protection, investment attractiveness and tax issues. Domestic and foreign investors who invest in Russian property, for example, would be most interested in a closed-end investment fund, due to the ability to defer tax liabilities until the distribution of profits, as well as the exemption from property tax.

Deloitte CIS has a wide-ranging experience in the area of special investment instruments. We analyze various fund mechanisms and the use of funds in corporate structuring, including the possibility of using Russian ZPIFs in Russian real estate operations.

Diagnosis of tax risks

Deloitte CIS specialists can assist clients in preparing for a tax audit in accordance with both Russian accounting standards (RAS) and international financial reporting standards (IFRS). One key area in the preparation of financial reporting is the analysis of potential tax risks and the development of recommendations for their mitigation. Identifying and assessing potential tax risks is generally the key factor in determining the possibility and the potential benefits of conducting an audit, as well as a providing a reliable estimate of the outcome of the audit with regard to any potential tax liabilities. Moreover, conducting a tax audit allows the consultant to study operational aspects, thereby allowing us to better coordinate our work and improve the efficiency of the areas under review.

Ongoing tax consulting

In view of their broad experience of working with the industry, our specialists are well aware of the problems that real estate companies face. In-depth knowledge of the issues at hand allows us to offer high quality services, including, but not limited to:

- Development of recommendations with respect to the company's accounting policy
- Analysis of the potential tax risks associated with the conclusion of various agreements on investments in the construction sector
- Analysis of various issues faced by a company in its day-to-day operations.

Contacts

If you have any questions, or require any additional information, please do not to hesitate to contact Elena Solovyova, Partner in Tax & Legal department and Real Estate group leader.

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