

## EPRA statement on the exclusion of REITs from Global Anti-Base Erosion (GloBE) rules under Pillar Two.

**21<sup>st</sup> December 2021** – The OECD yesterday published detailed rules of a landmark reform to the international tax system, which will ensure Multinational Enterprises (MNEs) will become subject to a minimum tax rate as from 2023. It has been confirmed by the OECD that Real Estate Investment Trusts (REITs) are excluded from the scope and provisions of the new rules, which follows advocacy from the European Public Real Estate Association (EPRA) and its partner associations across Europe.

The reform follows an agreement from October, where 137 jurisdictions representing more than 95% of global GDP agreed to the principles of the OECD proposal. The now published rules define the scope and mechanism for the so-called *Global Anti-Base Erosion (GloBE) rules under Pillar Two*, which will introduce a global minimum corporate tax rate set at 15% for all companies, irrelevant of sector or industry. The minimum tax will apply to MNEs with revenue above EUR 750 million and is estimated to generate over EUR 130bn in additional global tax revenues annually.

**Tobias Steinmann, Director of Public Affairs at EPRA** commented: *“It was EPRA’s view from the beginning of the process that the uniqueness of REITs may require a tailored solution, and we highly appreciate the decision the OECD has taken for the REIT sector.”*

*REITs are the guardians of our cities’ high-quality assets, covering all types of real estate assets, from offices to retail, and increasingly healthcare and retirement facilities. They are also great contributors to GDP and to society as they represent hundreds of thousands of jobs in our continent. In Europe, no less than fourteen EU member states have introduced REIT legislation with an effective tax passthrough to incentivise real estate investment for institutional and retail investors.”*

The scope defines that so called ‘Real Estate Investment Vehicles’ under certain tax neutrality regimes need to be carefully reflected. A specific definition was added to make clear that REITs will fall under a list of excluded entities.

EPRA’s Public Affairs department together with partner associations in Europe and globally provided expertise to the Pillar Two Rules and the exclusion for REITs comes as just one out of a list of six excluded entities, showcasing the specific understanding the listed real estate industry with its strong REITs sector has achieved among the OECD framework:

### Article 1.5. Excluded Entity

1.5.1. An Excluded Entity is an Entity that is:

- (a) a Governmental Entity;
- (b) an International Organisation;
- (c) a Non-profit Organisation;
- (d) a Pension Fund;
- (e) an Investment Fund that is an Ultimate Parent Entity; or
- (f) a Real Estate Investment Vehicle that is an Ultimate Parent Entity.

In partnership with PwC, EPRA conducted last year the first Total Tax Contribution (TTC) study amongst its membership. The study has gathered evidence-based data that for every EUR 100 of turnover, an amount equivalent to EUR 32.8 is contributed to taxes.

The Pillar two rules will be brought into law in the course of 2022 and will become effective from the beginning of 2023. The Commission intends to introduce related legislation to bring the agreement into legal force and EPRA will engage with the EU institutions to ensure the OECD proposals, agreed at a global level, are not diluted and the success of REIT regimes in Europe is maintained.

-ENDS-

#### **About EPRA**

The European Public Real Estate Association is the voice of the publicly traded European real estate sector. With more than 280 members, covering the whole spectrum of the listed real estate industry (companies, investors and their suppliers), EPRA represents over EUR 690 billion of real estate assets\* and 94% of the market capitalisation of the FTSE EPRA Nareit Europe Index. EPRA's mission is to promote, develop and represent the European public real estate sector. We achieve this through the provision of better information to investors and stakeholders, active involvement in the public and political debate, promotion of best practices and the cohesion and strengthening of the industry. Find out more about our activities on [www.epra.com](http://www.epra.com).

*\*European companies only*

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