Structuring International Real Estate (SIRE) 2019 Conference

CASE STUDY

The concept of the SIRE Fund is to attract investors wishing to have an interest in global buy-to-let holiday homes. The Fund, through its SPV subsidiaries, will acquire hotels, mansion houses and development sites with the intention of developing apartments with centralised leisure facilities, operated by a world renowned holiday resort property company.

Session 1 - Structuring the SIRE International Real Estate Fund
The entrepreneurs behind the SIRE Fund need to understand what form it should take, whether as a company, an LLP or unit trust. They will need advice as to regulatory issues affecting the Fund, to whom the Fund can be marketed, and ensure that the concept of the Fund meets the regulatory requirements as to investment opportunities and diversification. Since the entrepreneurs wish to manage the Fund themselves through a separate Fund management company, the issues affecting them as to regulation and taxation must be understood.

Session 2 - Financing the SIRE Fund
They will then need advice as to the financing opportunities available to them, whether this be the issue of shares in companies or interests in LLPs, through debt finance or a combination of preference and loan capital. The suggestion has been made that the Fund could offer its own cryptocurrency which would enable holders of the currency to have a discount on the advertised weekly rental of any apartment developed by the Fund, or alternatively a discount on the acquisition of the holiday homes developed by the Fund. Within its financial budgets, the Fund could consider mezzanine finance from banks or other financial institutions, and in respect of joint venture opportunities for specific projects, the Fund could consider attracting private equity firms to participate in the joint venture arrangements.

Session 3 - Real Estate Strategies & Tax Issues
The management of the SIRE Fund now needs to consider the strategies for the Fund’s development of assets within the EU, UK and US. Besides a general market overview for real estate developments across the EU, the main issues examined will be how to structure the acquisition of potential assets, the use of debt instruments, profit repatriation at minimum tax costs and optimising exit strategies for each development.
Session 4 - Real Estate Strategies, Tax Issues and Reits
These strategies and tax issues will be further developed regarding developments in the UK and the US where, in addition to the structuring requirements, the opportunities for the creation of non-taxable REITs either as SPVs or in relation to the Fund itself will be reviewed.

Session 5 - International Structures for the SIRE Fund
The creation of SPVs for individual property developments throughout the EU, UK and the US then need to be brought together within a holding structure for the SIRE Fund, if the SPVs are not owned direct by the SIRE Fund. The establishment of the appropriate holding company and its jurisdiction of choice will depend partly on the profile of the jurisdiction, partly on its internal domestic legislation to avoid an additional layer of taxation, and possibly on the minimisation of withholding taxes through double tax treaty and European Directive provisions. The holding company, or indeed another group company, could license the brand of the developer, once established, to other SPV companies within the group or indeed to third party developers who wish to undertake a similar type of development.

Session 6 - Substance and the MLI
The BEPS initiative created by the OECD and the adoption of its provisions through the multi-lateral instrument (MLI) will be reviewed, focusing on the requirement for substance within the companies established by the SIRE Fund in order to benefit from double tax treaty provisions.

Session 7 - Corporate Residence and Re-Domiciliation
These issues will be further considered as they relate to the concept of management and control, and indeed effective management of these entities. Where the entities are clearly established in an inappropriate jurisdiction as regards changes that may have been effected since incorporation (either domestically or through double tax treaty arrangements), the migration of these companies to other jurisdictions will be considered. The legal issues relating to the migration of companies and their re-domiciliation in another country will be reviewed along with exit taxation issues which may be relevant.

Session 8 - Exploring Future Developments in the Economy and the effect they may have on Real Estate
The conference will then close with networking drinks, kindly provided by Close Brothers Asset Management, which will be an opportunity to further review the day’s proceedings and provide a platform for networking with delegates and the speakers themselves.