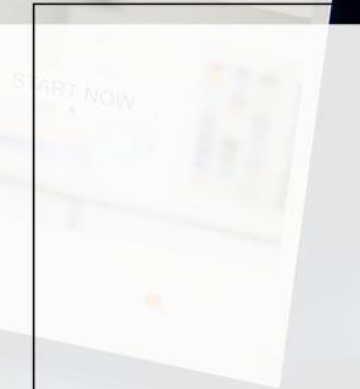


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EY Tax Week

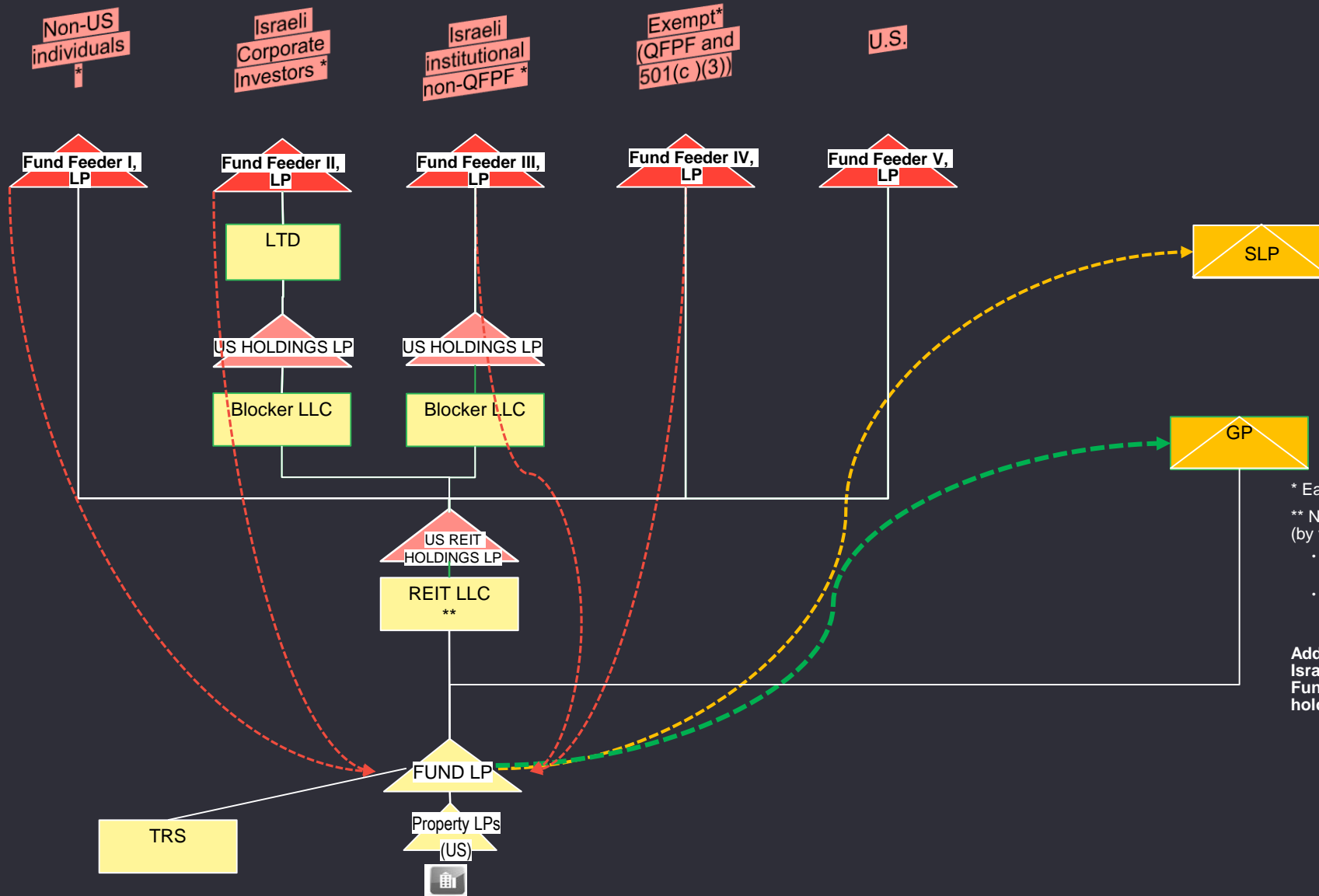
22-25.11.2020

פאנל בנושא: טרנדים בהשקעות נדל"ן בארה"ב
אמיר חנצ'ינסקי, שותף, דסק ארה"ב
מוטי תג, שותף, מיסוי בינלאומי

25 בנובמבר 2020

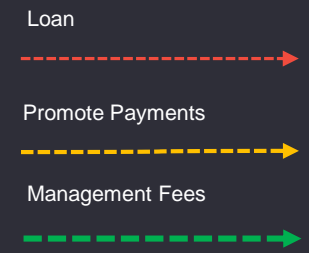
US Real Estate Fund Structure

Sample Structure - US Real Estate Equity Fund - REIT



- * Each investor will own less than 10% in the REIT
- ** No 5 individuals can hold 50% or more of the stock of the REIT (by value).
 - Corporations/ partnerships/ pension funds are looked through to the ultimate shareholder/ partner/ participant individual.
 - Educational endowments (e.g., universities) would not count as individuals at all for these purposes. Therefore, they will not be viewed as having any ownership by an individual.

Additionally, if the activity is considered a business activity, an Israeli 9(2) exempt entity should not hold more than 20% of the Fund; and, collectively all Israeli 9(2) exempt entities should not hold 50% or more of the Fund.



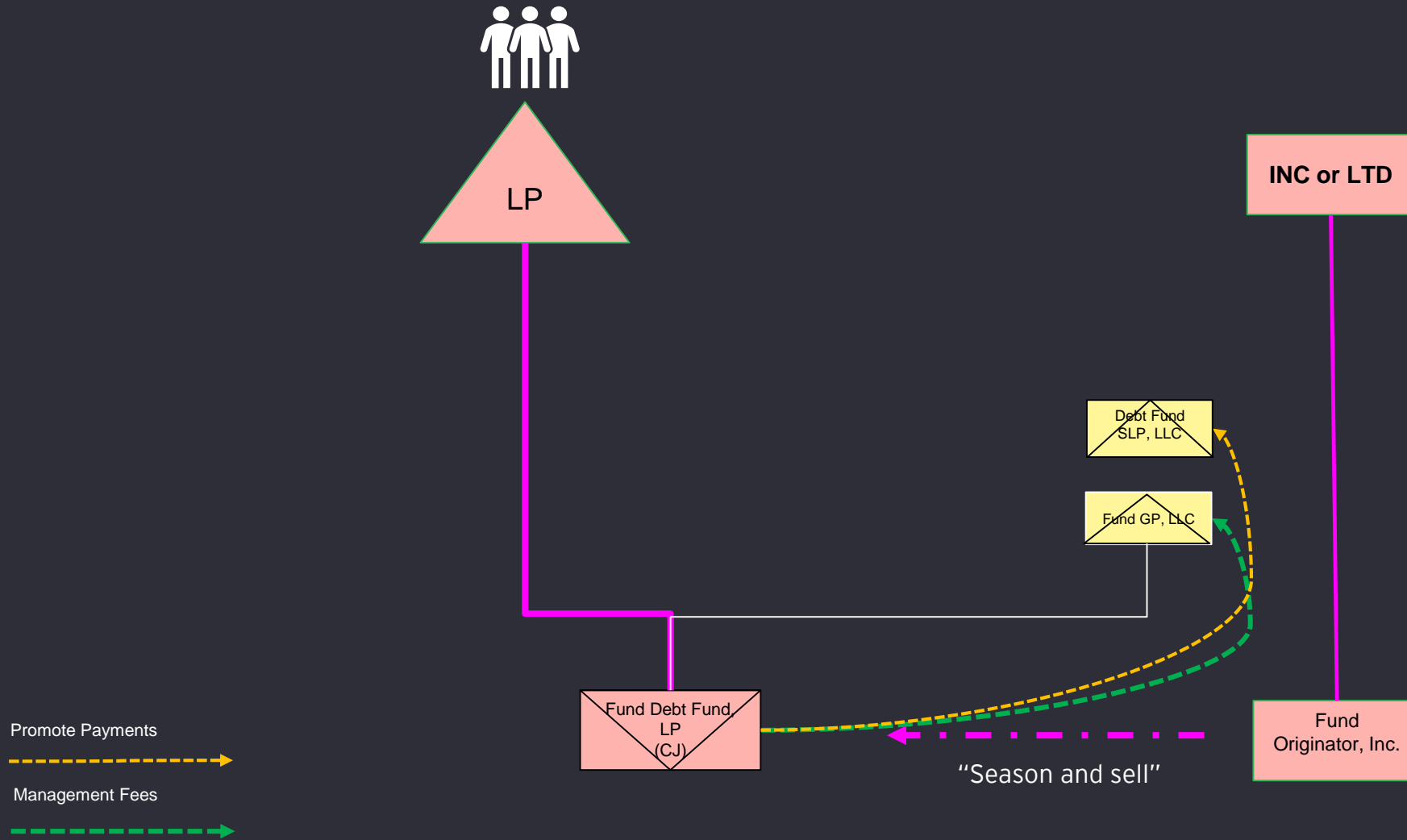
החלטת המיסוי 5916/20

- ◀ הבשורה: בשונה מעמדות קודמות של רשות המיסים, הרולינג קבע הסדר מס שונה ביחס למשקיע שאינו "בעל מניות מהותי" (קרי, מחזיק פחות מ- 10% ממצעי השליטה ב-REIT)
- ◀ אם ביחס למשקיע שהינו בעל מניות מהותי – הכלל: "השקפה" קרי, העברת ההכנסות למשקיע ומיסויים בידו בהתאם למקור ההכנסה בידי הקרן – בדומה לקרן השקעות במקרקעין בישראל
 - ◀ Ordinary dividend - הכנסה מעסק (2)1)) שאינה מיגיעה אישית (אלא אם מילא תפקיד אקטיבי ב- REIT)
 - ◀ Capital gain dividend - רווח הון או הכנסה מעסק (שאינה מיגיעה אישית – ר' לעיל) בהתאם לסיווג ההכנסה בידי ה- REIT (סיווג ייעשה לפי דיני המס בישראל).
 - ◀ Return of capital dividend - רווח הון או הכנסה מעסק בהתאם לסיווג ההכנסה בידי ה- REIT (הסיווג ייעשה לפי דיני המס בישראל).
- ◀ ביחס למשקיע שאינו בעל מניות מהותי
 - ◀ כל סוגי החלוקות יסווגו כהכנסה מדיבידנד לרבות חלוקות שמקורן בהפחתת הון של ה- REIT - שאלה לגביי חוזר 01/2018
 - ◀ אין בחיוב ההכנסה כדי להשפיע על עלות המניות בידי בעלי המניות.
- ◀ סוג ההכנסה מחלוקות מה – REIT שמקורן ברווחים שחויבו במס חברות בארה"ב –
 - ◀ הכנסה מדיבידנד לפי סעיף 2(4) לפקודה – לכל דבר ועניין.

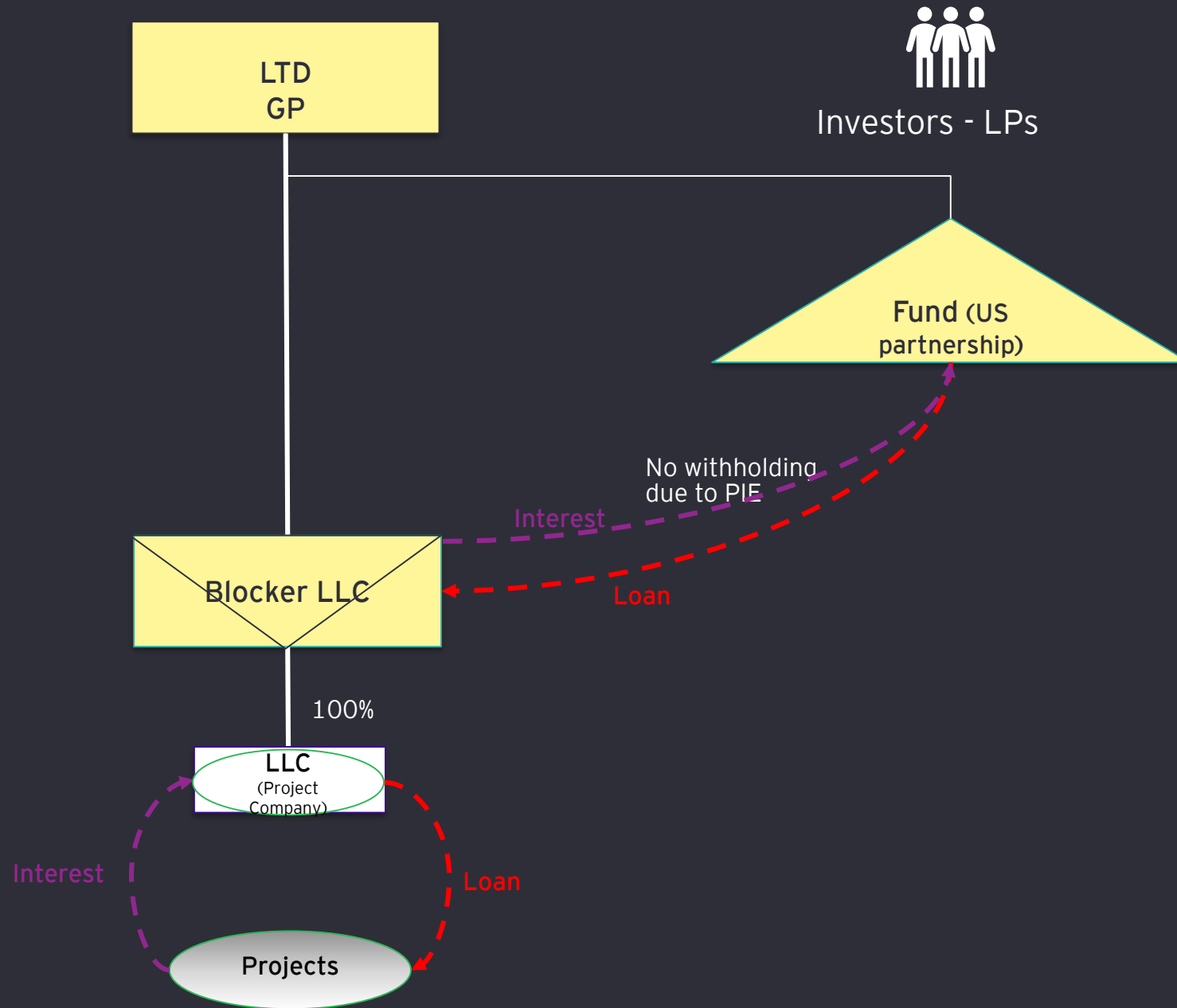
	US Tax	IL Tax	ETR *
<p>LP 1– Non US Individuals</p> <p>The Idea: Direct investment</p>	<p><u>Ongoing income</u></p> <ul style="list-style-type: none"> Interest income not taxable (0% WHT PIE) Ordinary Dividend 25% 12(3)a (in the treaty) Return of loan principal: tax free <p><u>Sale of property - dividend</u></p> <ul style="list-style-type: none"> Return of capital - tax free Capital Gain Dividends - 20% 	<p><u>Ongoing income</u></p> <ul style="list-style-type: none"> Interest Income: 25% (under certain conditions) +3% surtax. Ordinary income dividend- Marginal tax rates and up to 47%+ 3% in case classified as business activity (25%+3% surtax under ruling 5916/20 for non significant s/h). <p><u>Sale of property -</u></p> <ul style="list-style-type: none"> Dividend or Capital gain 25%+3% Return of capital -effectively no tax under certain conditions ("capital gain" - 25%+3% surtax under ruling 5916/20 if significant S/H or dividend if not significant s/h) 	<ul style="list-style-type: none"> ETR~28% Exposure to estate tax Need to file a US tax return.
<p>LP 2 – Israeli Corporations</p> <p>The Idea: Gather investors (each less than 10%) through Israeli company holding 100% (more than 10%) in Blocker LLC to optimize underlying tax credit in Israel and exempt dividend between Israeli companies</p>	<p><u>Ongoing income</u></p> <ul style="list-style-type: none"> Interest income not taxable (0% WHT PIE) Return of loan principal: tax free Sale of property - taxed at LLC level (21%) Ordinary Dividends - taxed at LLC level (21%) <p><u>Sale of property - dividend</u></p> <ul style="list-style-type: none"> Deemed liquidation tax free 	<p><u>Ongoing income</u></p> <ul style="list-style-type: none"> Interest Income: 23% CIT Uncheck - Not a tax event Dividend (following uncheck) - 23% with UTC in the level of LTD Capital Gain - 23% Return of capital in LLC level : Potential CFC issue - ruling 5916/20 	<ul style="list-style-type: none"> ETR: 23% No exposure to estate tax No need to submit a US tax return.
<p>LP 3 –Institutional investors non-QFPF</p> <p>The Idea: Investment through US Blocker which should reduce US tax to 21% and release from filing obligations for the investors and liquidation/deemed liquidation of the Blocker</p>	<p><u>Ongoing income</u></p> <ul style="list-style-type: none"> Interest income not taxable (0% WHT PIE) Return of loan principal: tax free <p>Sale of property - taxed at LLC level (21%)</p> <p><u>Sale of property - dividend</u></p> <ul style="list-style-type: none"> Deemed liquidation tax free 	<p><u>Ongoing income</u></p> <ul style="list-style-type: none"> Interest Income and FX: 0% (assuming eligible for exemption in Israel under 9(2)) Dividend income - 0% (assuming eligible for exemption in Israel under 9(2)) Capital gain - 0% (assuming eligible for exemption in Israel under 9(2)) Return of capital in LLC level: tax free 	<ul style="list-style-type: none"> ETR: ~14*% No need to submit a US tax return.
<p>LP 4 – Exempt + QFPF</p> <p>The Idea: Direct investment</p>	<p><u>Ongoing income</u></p> <ul style="list-style-type: none"> Interest income not taxable (0% WHT PIE) Return of loan principal: tax free Return of capital: no tax Ordinary income - 31% (Branch Profits Tax) <p><u>Sale of property - dividend</u></p> <ul style="list-style-type: none"> Capital Gains Dividend: Exempt 	<p><u>Ongoing income</u></p> <ul style="list-style-type: none"> Interest Income and FX: 0% (assuming eligible for exemption in Israel under 9(2)) <p><u>Sale of property - capital gain dividend</u></p> <ul style="list-style-type: none"> Dividend or Capital gain 0% (assuming eligible for exemption in Israel under 9(2)) Return of capital: effectively no tax under certain conditions 	<ul style="list-style-type: none"> ETR - 0%

US Debt Fund Sample Structures

Sample Structure - Debt Fund (RE) - Season and Sell Model



Sample Structure - US Debt Fund (RE) - Blocker Model



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