

Fund Structures Overview

This is a high-level summary of, and comparison between, common real estate pooling vehicles within the UK, Luxembourg and Jersey which are often used to invest in UK real property. The table is not exhaustive and does not include all possible fund structures.

This is to be used as a general guide (as at September 2023) to the type of funds typically used to invest in real estate in the UK. We cannot guarantee that the information within this guide is completely up to date and that all relevant real estate pooling vehicles are included in this guide. Neither AREF nor the contributors to the guide take responsibility for the content of the guide or the consequences of using the guide. It is essential that legal and tax advice are sought before establishing or investing in any real estate fund. The guide should not be construed as legal and/or tax advice for any particular facts or circumstances.

Investment Vehicle	UK Tax Treatment	UK Transfer Tax	Listable	Open/Closed Ended	Regulatory Supervision	Investor Restrictions	Advantages	Disadvantages
UK Limited Partnership and UK Private Fund Limited Partnership	Tax transparent	5% on direct underlying UK property GAV above £250k (lower rates applied to portion of GAV below £250k).	No	Usually closed-ended	Manager regulated by FCA in UK and must comply with UK AIFMD (unless Joint Venture ("JV") exemption applies).	Limited to institutional, high net worth or knowledgeable investors.	Tax transparent	Illiquid and can be subject to transfer tax.
UK Unauthorised Exempt Property Unit Trust	Effectively tax-free at fund level – trust subject to income tax and receives a deduction for income shown as available for distribution per its accounts.	Nil on redemption	No	Usually semi open-ended	Manager regulated by FCA in UK and must comply with UK AIFMD	Only available to investors who are exempt from UK capital gains tax, e.g. pension funds and charities.	Tax efficiency and potentially suitable for 'trading' strategies.	Tax exempt investors only. Tax regime possibly complex where other tax transparent vehicles involved in the structure.
Property Authorised Investment Fund ("PAIF")	Tax free at fund level for property investment income and gains. Withholding tax at 20% on property income distributions to non-exempt investors.	Nil on redemption. Seeding relief potentially available.	No	Open-ended	Open-Ended Investment Company ("OEIC") authorised by FCA in UK and must comply with UK AIFMD as well as broader FCA rules (such as COLL)	Not available within UCITS. Certain investors require a feeder. No corporate may hold 10% or more of the PAIF.	Available to general public if structured as a NURS.	Investment restrictions and need for feeder for some investors.
Co-Ownership Authorised Contractual Scheme ("Co-ACS")	Tax transparent for income. Exempt from CGT	Nil on redemption. Seeding relief potentially available.	No	Open-ended	Vehicle authorised by FCA in UK and must comply with UK AIFMD as well as broader FCA rules (such as COLL)	Only available to professional, sophisticated investors or those with a minimum of £1million to invest.	Effectively tax transparent	Administratively complex
Long Term Asset Fund ("LTAF")	Tax treatment follows legal form and tax status (for example, could be a Co-ACS or PAIF).	Nil on redemption	No	Open-ended	Authorised by FCA under COLL. UK Alternative Investment Fund ("AIF"). Can be a Co-ACS, unit trust or OEIC. Charity Authorised Investment Fund ("CAIF"); PAIF, and Tax Elected Fund ("TEF") can also be LTAF	Not ISA eligible. Promotion restricted to professional investors, sophisticated investors, and certified high net worth individuals (HNWI). Retail investors may be restricted to holding 10% of their investable assets. Redemptions: monthly or longer dealing frequency and notice period of at least 90 days.	UK fund suitable for private investments. Possible access point to private market assets.	New fund regime
UK - REIT	Tax exempt on UK real estate investment business. Withholding tax at 20% on property income distributions to non-exempt investors.	0.5% if UK PLC	Optional	Closed-ended	If listed, regulated according to listing/recognised stock exchange. If structured as a fund, it will also need to comply with UK AIFMD.	There are close company ownership tests with exemptions for institutional shareholders. There are also 10% corporate owner tests.	Corporate form, which can include a group structure, with tax exempt status and liquidity as a listed vehicle. Is a UK resident tax exempt vehicle for investment.	If there are securities laws, continuing obligations and costs. Ongoing conditions to maintain tax status.

Investment Vehicle	UK Tax Treatment	UK Transfer Tax	Listable	Open/Closed Ended	Regulatory Supervision	Investor Restrictions	Advantages	Disadvantages
Jersey Property Unit Trust	Usually tax transparent for income. Potentially subject to capital gains tax. Fund may be eligible to make an exemption or transparency election in relation to non-resident capital gains tax.	Nil	Yes (but unusual)	Usually closed-ended	By JFSC in Jersey. Unregulated funds now available for institutional and large investors. The functionaries of funds are supervised. If marketing in Europe, must consider AIFMD.	Depends on regulatory approval obtained.	Tax treatment and potential liquidity.	Must be managed and controlled outside UK.
Luxembourg FCP	Usually tax transparent for income. Potentially subject to UK capital gains tax. Fund may be eligible to make an exemption or transparency election in relation to non-resident capital gains tax.	Nil	Yes (if open ended)	Usually closed-ended (umbrella fund allows mixture)	Needs to comply with EU AIFMD.	Only well-informed investors: institutions, professional or €125,000 minimum. Not open to retail market.	Tax transparent Suitable to large number of investors worldwide.	No access to tax treaties at fund level. Not entitled to EU Tax Directives. Diversification requirements.
Luxembourg SICAV SIF	Tax treatment dependent on legal form. If in corporate form, then fund subject to corporation tax (25%) on UK property rental income and gains. Corporate funds may be eligible to make an 'exemption' election in respect of gains.	Nil	Yes	Usually open-ended (umbrella fund allows mixture)	Needs to be approved and registered by CSSF in Luxembourg and comply with EU AIFMD.	Only well-informed investors: institutions, professional or €125,000 minimum. Not open to retail market.	Suitable to large number of investors worldwide. Can be in limited partnership format – so flexible.	Access to double tax treaties if not tax transparent legal form / No access to double tax treaties if tax transparent legal form. Diversification requirements.
Luxembourg SCSp - RAIF	Tax transparent.	5% on direct underlying UK property GAV above £250k (lower rates applied to portion of GAV below £250k).	Yes (but complicated)	Open / closed-ended	Fund itself is unregulated but management must comply with EU AIFMD.	Only well-informed investors. Not open to the retail market.	Tax and legal transparency. Fund itself not subject to regulatory oversight by CSSF.	No access to double tax treaties. Diversification requirements.

The Association of Real Estate Funds represents the UK real estate funds industry and has around 60 member funds with a collective net asset value of around £65 billion under management on behalf of their investors. The Association is committed to promoting transparency in performance measurement and fund reporting through the AREF Code of Practice, the MSCI/AREF UK Quarterly Property Funds Index and the AREF Property Fund Vision Handbook.

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