



Popular investment vehicles in Germany

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Investment vehicle

- Sondervermögen (fund in contractual form)
- Investment Kommanditgesellschaft (InvKG) (limited partnership)

1. Form

Sondervermögen

- Contractual (so-called chapter 3 fund under German Investment Tax Act)
- Contractual (so-called chapter 2 fund under German Investment Tax Act)

Investment Kommanditgesellschaft

- Limited partnership

2. Tax Treatment

Sondervermögen

Contractual (so-called chapter 3 fund under German Investment Tax Act):

- (Semi) transparent

Contractual (so-called chapter 2 fund under German Investment Tax Act):

- Opaque
- Not tax transparent but solely subject to tax with domestic real estate income

Investment Kommanditgesellschaft

- Transparent

3. Transfer Tax

Sondervermögen

Contractual (so-called chapter 3 fund under German Investment Tax Act):

- Sale of fund units does arguably not trigger RETT even if German property is held by the fund

Contractual (so-called chapter 2 fund under German Investment Tax Act):

- Sale of fund units does arguably not trigger RETT even if German property is held by the fund

Investment Kommanditgesellschaft

- 3.5 – 6.5 % RETT depending on the location of real estate in Germany
- RETT-Blocker structures possible, but require greater share of blocking entity

4. Listable

Sondervermögen

- No

Investment Kommanditgesellschaft

- No

5. Open- or closed-ended

Sondervermögen

Contractual (so-called chapter 3 fund under German Investment Tax Act):

- Open-ended

Contractual (so-called chapter 2 fund under German Investment Tax Act):

- Closed-ended

Investment Kommanditgesellschaft

- Closed-ended /open-ended

6. Regulatory Supervision

Sondervermögen

Contractual (so-called chapter 3 fund under German Investment Tax Act):

- AIFM supervised by BaFin

Contractual (so-called chapter 2 fund under German Investment Tax Act):

- AIFM supervised by BaFin

Investment Kommanditgesellschaft

- AIFM supervised by BaFin

7. Investor Restrictions

Sondervermögen

Contractual (so-called chapter 3 fund under German Investment Tax Act):

- (Semi) professional investors

Contractual (so-called chapter 2 fund under German Investment Tax Act):

- (Semi) professional investors

Investment Kommanditgesellschaft

- (Semi) professional investors

8. Pros

Sondervermögen

Contractual (so-called chapter 3 fund under German Investment Tax Act):

- Tax transparency (depending on structure)
- Single line balance sheet item (depending on structure)

Contractual (so-called chapter 2 fund under German Investment Tax Act):

- Single line balance sheet item (depending on structure)
- Generally no limitation on leverage
- Generally no list of eligible assets

Investment Kommanditgesellschaft

- Tax transparency
- Trade tax may be avoided subject to appropriate structuring
- No limitation on leverage
- No risk diversification requirements (closed-ended)
- Highly flexible

9. Cons

Sondervermögen

Contractual (so-called chapter 3 fund under German Investment Tax Act):

- Conclusive list of eligible assets
- Risk diversification requirements
- Limitation on leverage

Contractual (so-called chapter 2 fund under German Investment Tax Act):

- Opaque tax treatment

Investment Kommanditgesellschaft

- No access to tax treaties and EU PSD at fund level
- Sale of LP interest may trigger RETT

10. Best Used For

Sondervermögen

Contractual (so-called chapter 3 fund under German Investment Tax Act):

- Investments by German tax-exempt institutional investors (e.g. pension schemes)
- Commonly implemented using a German service AIFM

Contractual (so-called chapter 2 fund under German Investment Tax Act):

- Investments by German tax-exempt institutional investors (e.g. pension schemes)
- Higher leverage possible
- Single asset club deals
- Commonly implemented using a German service AIFM

Investment Kommanditgesellschaft

- Higher leverage possible
- Single asset club deals (closed- ended)
- Commonly implemented using a German service AIFM

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