Table of Contents

Chapter 1: General Report: The Tax Treatment of CIVs and REITs

Hein Vermeulen

1.1. Introduction 1
1.2. Opening 2
1.3. CIVs in general 3
1.4. CIVs in a domestic context 4
1.5. CIVs in a cross-border context 7
1.6. The first panel: OECD CIV report 8
1.7. The second panel: OECD REIT report 9
1.8. The third panel: EU law aspects 11
1.9. The fourth panel: Future developments 13
1.10. Poster programme 15
1.11. Concluding remark 15

Part One

OECD 2010 Update on Collective Investment Vehicles (CIVs)

Chapter 2: Fifty Years of Tax Uncertainty: The Problem of International Neutrality for Collective Investment Vehicles

Patricia A. Brown

2.1. Introduction 19
2.2. The role of CIVs in the international financial market 22
  2.2.1. Achieving economies of scale 22
  2.2.2. Differing tax treatment of CIVs 25
2.3. The problem of uncertainty 27
  2.3.1. The problem of personhood 28
  2.3.2. Who decides who is a resident? 29
  2.3.3. What does it mean for a CIV to be transparent? 32
  2.3.4. Who is the beneficial owner – The CIV, the investors or no one? 35
2.4. Overview of the new Commentary on CIVs 36
  2.4.1. Tax rules matter in determining who is a “person” 38
  2.4.2. New dividing lines (but some open questions) regarding the meaning of “resident” 38
# Table of Contents

2.4.3. The CIV normally will be the “beneficial owner” of the income it receives 39
2.4.4. Resolving the open issues through new agreements 40
2.5. Conclusion 43

Chapter 3: The 2010 Update of the OECD Commentary on Collective Investment Vehicles  
*Gijs Fibbe* 45

3.1. Introduction 45
3.2. Background to the 2010 Update on CIVs 46
3.2.1. Introductory remarks 46
3.2.2. What is a CIV? 47
3.2.3. Tax neutrality between direct investments and investments via a CIV 50
3.3. The 2010 Update of the OECD Commentary 52
3.3.1. Is a CIV a “person”? 52
3.3.2. Does a CIV qualify as treaty “resident”? 54
3.3.3. CIV; “conduit” or “beneficial owner”? 56
3.4. The OECD approaches to CIVs 60
3.4.1. Introductory remarks 60
3.4.2. First scenario: The “in its own right” approach 60
3.4.3. Second scenario: The “partial in its own right” approach 62
3.4.4. Third approach: The “partial look-through” approach 64
3.4.5. Fourth approach: The full look-through approach 65
3.5. Relief from double taxation for income derived from CIVs 67
3.6. Conclusions 71

Chapter 4: Dutch Tax Treaty Policy for Pooled Investment Vehicles  
*Arnaud de Graaf* 73

4.1. Introduction 73
4.2. Brief description of Dutch PIV regimes and their tax treatment 73
4.3. Application of the OECD Model to Dutch PIV regimes 76
4.3.1. Introduction 76
4.3.2. First tier: Can the vehicle be considered a person? 76
4.3.3. Second tier: Can the vehicle be considered a resident? 77
4.3.4. Third tier: Can the vehicle be considered as the beneficial owner? 82
4.4. Dutch PIV regimes and the ability to claim treaty benefits 84
## Table of Contents

4.4.1. Introduction 84  
4.4.2. FBIs and treaty benefits 85  
4.4.3. VBIs and treaty benefits 86  
4.4.4. LFMAs and treaty benefits 88  
4.5. Summary 92

### Part Two

OECD 2008 Update on Real Estate Investment Trusts (REITs)

#### Chapter 5: Directly Held vs Indirectly Held Real Estate Investments

*Stefano Simontacchi*

5.1. Introduction 95  
5.2. Definitions 97  
5.2.1. Scope of article 6 of the OECD Model 97  
5.2.2. Definition of immovable property 98  
5.2.3. Definition of situated 98  
5.3. Article 13(4) of the OECD Model 101  
5.3.1. Purpose and nature 101  
5.3.2. Geographical scope 103  
5.3.3. Value test 106  
5.3.4. Direct or indirect derivation of value 108


*Luis Nouel*

6.1. Introduction 111  
6.2. Background 111  
6.3. Definition of REITs 112  
6.4. Treaty entitlement of a REIT 114  
6.5. Distributions from REITs 116  
6.6. Treatment of capital gains on interests in a REIT 121  
6.7. Cross-border income of REITs 123  
6.8. Treaty practice 129  
6.9. Conclusions 130
# Table of Contents

**Chapter 7: European REITs and Cross-Border Investments**  
*Ronald J.B. Wijs*  
133

7.1. Introduction  
7.2. Cross-border issues for European REITs  
7.3. REITs and foreign shareholders  
7.4. REIT status for foreign REITs  
7.5. Summary and conclusions

**Part Three**  
Impact of EU Law

**Chapter 8: Comparability of Different CIVs under EU Law**  
*Tomi Viitala*  
147

8.1. Purpose and scope  
8.2. Importance of comparability  
8.3. Theoretical approaches to comparability  
8.3.1. UCITS test  
8.3.2. Legal form test  
8.3.3. Regulation test  
8.3.4. Purpose and activity test  
8.3.5. Tax treatment  
8.4. Relevant case law of the ECJ  
8.4.1. Aberdeen  
8.4.2. Santander  
8.4.3. Commission v. Belgium  
8.5. Finnish case law and tax practice  
8.5.1. SICAV  
8.5.2. Norwegian contractual fund  
8.5.3. FCP  
8.5.4. US RIC

**Chapter 9: Investment Funds, Dutch Dividend Withholding Tax and EU Law Developments**  
*Erwin Nijkeuter*  
161

9.1. Introduction  
9.2. Non-resident investment funds and Dutch dividend withholding tax  
9.2.1. Introduction  
9.2.2. High Court of Amsterdam on objectively comparable
Table of Contents

9.2.3. High Court of Den Bosch on comparability of investment funds 163

9.3. Next level of taxation 164

9.3.1. Dutch credit against withholding tax (outbound dividend) 165

9.3.2. Dutch credit against withholding tax (inbound dividend) 166

9.4. Conclusion 167

Chapter 10: The Tax Treatment of CIVs and REITs from a State Aid Perspective: Limits on National Tax Policy

Sjoerd Douma 169

10.1. Introduction 169

10.2. The notion of selectivity 170

10.3. Discussion of three selected cases 173

10.3.1. Fineco 173

10.3.1.1. The Italian tax regime at issue 173

10.3.1.2. Judgment of the EU Court of First Instance 174

10.3.2. Commission Decision on the Finnish residential REITs tax scheme 176

10.3.2.1. The Finnish tax regime at issue 176

10.3.2.2. The Commission’s Decision 177

10.3.3. Joined Cases E-17/10 and E-6/11 VTM Fundmanagement 178

10.3.3.1. The Liechtenstein tax regime at issue 178

10.3.3.2. The judgment of the EFTA Court 179

10.3.4. Conclusions 179

10.4. Limits for national policymakers 180

10.5. Final remarks 181

Part Four

Future Developments

Chapter 11: Domicile Issues Arising from the Management Company Passport – A Comparison of the UCITS Regulatory Framework and Tax (Treaty) Law

R.P.C. Adema 185

11.1. Introduction 185

11.2. The organization of (partly) remote-managed UCITS 188
## Table of Contents

11.2.1. Introduction 188  
11.2.2. The duties of the management company 188  
11.2.3. The Management Company Passport and the depositary 189  

11.3. Tax residence 190  
11.3.1. Introduction 190  
11.3.2. Necessity of special tax regulations regarding the domicile of remote-managed funds 191  
11.3.3. Strengthening the position of domestic management companies 192  
11.3.3.1. Uncoordinated approach to removal of tax obstacles to MC passport 192  
11.3.3.2. Spontaneous harmonization 192  
11.3.3.3. Continued effect of national regulations to tax treaties 195  
11.3.4. On purpose or by accident improvement of the position of foreign management companies of domestic UCITS 196  
11.3.4.1. Hurdles to manage resident funds abroad 196  
11.3.4.2. The EU seems – for the use of the Management Company Passport – to be divided into groups 196  

11.4. Avoidance of dual residence under tax treaty law 197  
11.4.1. Introduction 197  
11.4.2. Importance of the tiebreaker rule for tax treaty purposes 197  
11.4.3. Place of effective management 198  
11.4.4. Not eligible to the tiebreaker rule 199  
11.4.4.1. Introduction 199  
11.4.4.2. Tax-transparent UCITS 199  

11.5. Conclusion 200  

Chapter 12: Collective Investment Vehicles and VAT in a Changing Environment  
Gert-Jan van Norden 201  

12.1. Introduction 201  
12.2. Current legal framework 203  
12.3. Purpose of the exemption 204  
12.4. Case law developments 207  
12.4.1. Scope of the services 207
Table of Contents

12.4.2. Scope of the concept of special investment funds 209
12.5. Future developments - Changing regulatory environment 212
  12.5.1. VAT implications of AIMFD 213
    12.5.1.1. Alternative Investment Funds and VAT 213
    12.5.1.2. Depository functions and VAT 216
  12.5.2. VAT implications of the UCITS initiatives 220
    12.5.2.1. Proposal for UCITS V and VAT 220
    12.5.2.2. Consultation paper for UCITS VI and VAT 222
12.6. Future developments – Redesign of VAT legislation 223
  12.6.1. FS VAT proposals 223
  12.6.2. An alternative for redesign of VAT legislation 225
12.7. Conclusion 226

Part Five
Code of Conduct and CIVs

Chapter 13: The State of Play of Recent Work of the EU Code
of Conduct Group on Tackling Harmful Tax
Competition and Aggressive Tax Planning
Martijn Nouwen 231

13.1. Introduction: The current tax avoidance debate 231
13.2. The EU Code of Conduct Group on Business Taxation 233
13.3. One-country issues 234
  13.3.1. Standstill and rollback 234
  13.3.2. Guernsey’s zero-ten corporate tax regime 234
  13.3.3. Gibraltar’s Income Tax Act 2010 235
  13.3.4. Examination of special tax regimes for investment
          funds 236
  13.3.5. Preparation of guidance and application notes 237
13.4. Two-country issues 237
  13.4.1. Administrative practices: Cross-border rulings subject
          to spontaneous exchange of information 237
  13.4.2. Anti-abuse: Countering international tax mismatches
          caused by hybrid instruments, hybrid entities and
          (hybrid) permanent establishments 241
13.5. Third-country issues 244
  13.5.1. Introduction 244
  13.5.2. Increased pressure on Switzerland since 2012 244
  13.5.3. Negotiations with Liechtenstein ongoing 248
13.6. Final words 249