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## Examples of Taxation on Real Estate Properties as an Long-term Investment Asset. Description of Situation in Selected European Countries

**Abstract:** Real estate properties have become the alternative asset for long-term savings and investments. Such investment however is strictly related to risk inter alia taxation policy. The following article describes and discusses both theoretical and practical aspects of long-term investment taxation imposed on real estate market in selected European countries. The article presents the analyses of the taxes including its functions, mechanisms and in particular income, real estate and indirect taxes on investments such real estate properties. The author analysed the literature both historical and modern to research the topic. The idea of investment taxation has been present in modern tax system for several decades including its positive and negative consequences. The research method includes data, literature and professional reports analyses. The analyses leads to the conclusion of the level, aim and the overall base of properties' taxation in selected European countries.

**Key words:** real estate properties, tax system, progressive taxation, flat taxation, Europe

### Introduction

The major research purpose of the following article is to present theoretical aspects of the investment in real estate properties with the particular regard to income tax imposed on real state properties. The author has analysed the literature and data from selected European countries. The main hypothesis of the following paper is that investing in real estate assets causes the creation of income, which is a result of income tax obligation in most European countries. The final results as well as conclusion could be treated as the base for further research for the topic.

One of the long-term problems of both individuals and companies is the efficient allocation of the possessed assets. In the case of companies, the basic condition for

securing position and expansion in the market is not only the way of managing the company's business activity but also the decisions concerning its development and sources of financing [Sierpińska, Jachna 2004]. What is more, the foundation of prosperity for both households and businesses are investments [Mandziuk, Nawra, Ossowska 2016].

The concept of investment is a matter of one of economic terms. It has a very broad sense of importance [Michalak 2007]. Investments cover different scope and forms. Therefore, in the literature there are many definitions and criteria defining the concept of investment activity. Nevertheless, the concept of investment is inseparably related with three elements: spending money, expecting future benefits and the level of potential risk [Szczęśny, Śliwa 2010].

The investment can be realized within fixed assets (buildings, machinery, equipment, stock), financial assets (capital) related to financial instruments (shares, bonds) as well as intangible assets (patents, know-how) [Wieprow 2013]. One of the objects of the investment can be real estate properties, both for the purpose of allocating financial resources (in order to sell assets at a higher price in the future) and to achieve steady rental income.

One of the definitions of investments is that they "are long-term, risk-weighted allocations of economic resources (capital expenditures) to achieve future benefits" [Rogowski 2013]. As noted by Wiśniewski [2008], the universal characteristics of material investments (e.g. real estate) are both benefits (defined as anticipated positive effects of investment implementation), time and effort required. However, there is a crucial concept of risk that should be mentioned as the possibility of deviations of planned expenditures as well as benefits from the period of capital involvement and investment life cycle can occur.

It should therefore be noted that the concept of investment is inextricably related to risk. One of the risk elements, characterized as uncertainty in the conditions of management, is the taxation. It appears that the tax system can affect multidirectional enterprise's activity, both small, medium and large [Uchman 2014].

## Theoretical aspects – investment

The level of investment in the company as well as in the household is determined by various factors. Most often in the literature, the expected rate of return is underlined. In the case of high level of economic activity, good macroeconomic and macroeconomic condition, as well as private and public investment, the importance of tax burdens imposed on investments is rather abandoned. Only at the moment of declining economic activity, its downturn, and as a consequence decreasing level of investment, authorities are affected by the subject and amount of taxation and thus proceed actions to expand preferences and tax reliefs [Uchman 2014].

The issue of land rent tax (understood today as rental income) was firstly analysed and discussed in the 19<sup>th</sup> century by Ricardo [Piketty 2015]. Nonetheless taxes have been present in the public consciousness as a broadly known concept, defined as the necessity to transfer certain amount of money to the state or local governments to achieve particular goals [Krajewska 2004]. The principle of fiscal neutrality, formulated by A. Smith, states that the tax (as well as the broad concept of tax system) should not significantly affect the behaviour and choices of market players. Hence tax should not affect the level of revenues and costs, thus significantly determine the market mechanism. As it is known, in the practice of economic life, this principle does not work in reality.

Almost all European tax systems had changed over the time, however their current character had adopted towards today's model that is widely used in almost all countries of the world. Generally, nowadays the taxation of property, income and consumption (also identified as expenditures) could be distinguished. In most tax systems, different ways of obtaining financial resources are used i.e. from taxes, fees and duties, as well as social security contributions.

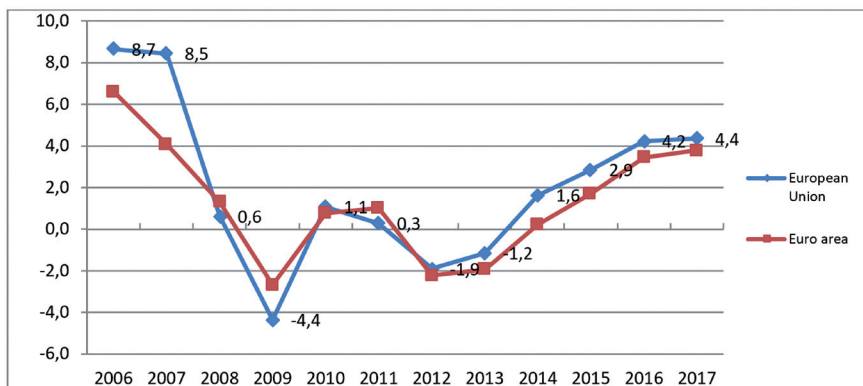
Taxes on income are a crucial part of nowadays' tax systems. Their impact and the meaning is held by numerous societies, groups and scientists, but without a doubt their presence is common. Nonetheless income taxes (both personal and corporate) are not a major source of budget revenue in most countries<sup>1</sup>. However, they are present in practically all tax systems of Europe and across the world.

The financial crisis of 2008 has caused a number of changes in the investment of both companies and individuals. One of the widely invested assets became the real estate market. The decline in real estate prices was noted in 2009 and 2012–2014. The highest decrease in property prices was indicated in Bulgaria, Ireland, Lithuania, Latvia, Slovakia and Estonia. Property prices, despite the crisis, increased however in Belgium and Germany. On average, property prices in the EU declined by 4.4% in 2009, 1.9% in 2012 and 1.2% in 2013. The following cumulative data for all EU member states is presented in table 1.

The real estate market, has been an attractive investment destination for two reasons: firstly, real estate has always been considered a safe investment (excluding, the acquisition on credit, which has become paradoxically the cause of the 2008 crisis), secondly the economy has been caused by significant fluctuations in the level of interest rates (in most European countries, they are at a level close to zero, which in fact means that they are negative when including the impact of inflation).

<sup>1</sup> For instance in Poland, the budget's revenues from income taxes was in 2015 (both CIT and PIT) at the level 36,1%. The main source of revenue was noted from VAT (41,8%) and excise tax (20,7%).

**Table 1. Annual growth of House price index in European Union in 2006–2017 (in %, 2017 – only Q1 and Q2)**



Source: Eurostat.

**Table 2. Distribution of population by tenure status, 2015 (% of population)**

Country	Ownership (no mortgage or housing loan)	Ownership (with mortgage or loan)	Tenant (market price)	Tenant (reduced price or free)
EU-28	42,5	26,9	19,7	10,9
Romania	95,6	0,9	1,2	2,4
Croatia	85,2	5,3	2,0	7,6
Lithuania	81,3	8,1	1,4	9,2
Bulgaria	79,5	2,8	3,1	14,6
Slovakia	77,9	11,3	9,2	1,5
Poland	72,8	10,9	4,5	11,8
Latvia	70,4	9,8	8,7	11,2
Hungary	67,6	18,7	4,8	8,9
Slovenia	65,4	10,8	4,8	19,0
Estonia	62,1	19,4	3,7	14,7
Greece	61,0	14,1	19,8	5,1
Malta	60,3	20,4	2,4	16,8
Czech Republic	59,8	18,2	16,4	5,6
Italy	56,1	16,8	15,4	11,7
Cyprus	52,9	20,1	12,7	14,3
Spain	47,0	31,2	12,7	9,1
Portugal	38,3	36,5	12,7	12,5
Ireland	36,3	33,7	14,7	15,3
France	33,0	31,1	19,8	16,1
Luxembourg	30,4	42,8	21,7	5,1



Country	Ownership (no mortgage or housing loan)	Ownership (with mortgage or loan)	Tenant (market price)	Tenant (reduced price or free)
Finland	30,3	42,4	12,0	15,3
Austria	30,0	25,7	29,6	14,7
Belgium	29,0	42,4	19,7	8,9
United Kingdom	27,5	36,1	18,2	18,3
Germany	25,6	26,2	39,9	8,2
Denmark	14,1	48,6	37,3	0,1
Netherlands	7,7	60,1	31,7	0,5
Sweden	7,2	63,4	29,1	0,3

Source: Eurostat.

Another factor affecting the attractiveness of property market in terms of investment, especially of housing, is the ratio of the number of dwellings owned by the population. The following detailed data is presented in table 2 above. In 2015, more than a quarter (26.9%) of the EU population lived in their own housing with credit or mortgages, while over 42% occupied their own residential units without credit or mortgages. According to data, almost 70% of individuals in the EU lived in their own dwellings, while 19.7% of the population rented apartments at market prices, and 10.9% used rent-reduced or free-of-charge accommodation.

More than half of the population in each of the Member States lives in their own dwellings i.e. from 51.8% in Germany to 96.5% in Romania. In none of EU countries, the percentage of tenants did not exceed the percentage of people occupying their own dwellings. However for instance in Switzerland, in 2014 more people rented apartments (about 55.5% of the population) than lived in the own possessed ones.

In 2015, the percentage of people occupying rented apartments at market prices in the 11 EU Member States was less than 10.0%. Almost 40% of the population in Germany and Denmark rented apartments at market price, as did about 30% of people in the Netherlands (31.7%), Austria (29.6%) and Sweden (29.1%). In all EU Member States and six non-EU countries reporting data, the proportion of residents using rent-reduced accommodation or free accommodation did not exceed 20%. Thus the group of tenants who rent flats with the market prices are the potential customers for investors considering purchasing flats as the asset to gain monthly rental income.

## Theoretical aspects – taxation

This section provides an overview of the most important literary aspects of history and the subject of the income tax. Taxes have always been problematic and complicated issue. Therefore, the concept of “one tax idea” [Wyrzykowski 2008] has never been realized.

In most countries tax systems have a number of functions, and there are several types of taxation.

The beginning of the income tax can be noted already in the eighteenth century in England, several decades later in France, Germany and the United States [Wyrzykowski 2003]. Currently, only a few countries do not have income taxes in their systems e.g. Qatar, Saudi Arabia, United Arab Emirates [KPMG 2017]. Taxes generally, in modern times, have three basic functions:

- Fiscal,
- Redistributive,
- Stimulating.

The fiscal function is derived from the essence of the tax, i.e. the necessity to collect the resources to maintain the institutions and mechanisms of the state. It is indicated that this is the most important function of taxes [Wolański 2004].

The redistribution function is related to the role of tax as a tool to control the processes of sharing the Gross Domestic Product (the GDP). It is therefore an instrument for shifting income between different social groups. It is indicated that this mechanism provides the possibility to make changes in the distribution of national income. Due to the division of tax revenues, the state is also able to realize social functions by providing education, health, defence system or social welfare services. The redistribution function, by its very nature, is one of the most acceptable socio-political in democratic countries [Wyrzykowski 2008].

The stimulus function is used to inhibit and eliminate economic phenomena in the economy [Wojtowicz 2009]. Its role is to influence such areas as unemployment, demand or supply both in positive and negative aspects e.g. to increase or decrease the level of alcohol or tobacco consumption in the society. Appropriate usage of the tax system allows to stimulate and create taxpayers' expectation and behaviour [Wyrzykowski 2008].

Besides describing the functions of taxes, the classification of particular taxes has also been described in the literature, taking into account various criteria. Due to the tax collection several techniques are divided into [Wolański 2004]:

- Direct taxes – i.e. paid directly by the obliged parties. Examples of such taxes are income taxes, donation and inheritance taxes, property taxes.
- Indirect taxes – i.e. paid by entities not directly obligated to pay them. Examples of such taxes are consumer taxes (VAT and excise taxes). In these taxes the ultimate payer are consumers who pay the tax included in the price of the goods or services, however technically the money is transferred to the tax authority by the entrepreneur.

With regard to the purpose and scope of this paper, it is also necessary to divide direct taxes (that are represented mainly by income taxes), which in principle are derived into [Wolański 2004]:



- Revenue taxes – paid on revenue. This construction belongs to the oldest in tax systems and does not include the so-called “deductible costs”.
- Income taxes – where the subject of the tax is income, that is revenue subtracted by the costs (so-called “deductible costs”).
- Property taxes – related to the right of possession of certain goods or rights e.g. real estate, vehicle.

In each tax one can distinguish the rates. Tax rates and scales are concepts that determine the relationship between the tax base and the taxed amount as well as the list of increasing or decreasing rates (tax scale) and determine the final amount of tax paid [Wyrzykowski 2008].

The rates most often are referred in amounts (e.g. real estate tax or motor vehicles tax). They can also be expressed as a percentage, for example in the case of excise or VAT. Less often they can be measured in a fractional or multiparty form.

In the case of tax scales, they are divided into proportional (e.g. constant interest rate) and disproportionate as progressive, regressive and degressive. The progressive rate is present in most common modern tax systems. It is assumed that this type of solution is one of the best distributing tax burden in the case of personal income tax [Krajewska 2004].

In most countries, income tax is levied on both corporates (Corporate Income Tax – CIT) and individuals (Personal Income Tax – PIT).

The author observed the significant lack of research conducted in the following area. There is, however, number of literature units tackling the issue of Comparative analysis of property taxation within European Union [Ciprian 2015] or Taxes in Real Estate [Weller, Shapack 2001], but they do not cover the subject of real estate market and its importance as an investments assets or are quite out of date (year 2001).

## Methodological aspects

Possession of a property investment is associated with paying taxes. In most cases, real estate is purchased for future rental or resale with profit. In these cases, in most European countries, there occurs a necessity to pay both direct and indirect taxes. These include income taxes (PIT and CIT), Value Added Tax, and local and central property taxes. The level of taxes and imposed burdens undoubtedly affect the intensity of investment expenditures undertaken by entrepreneurs and individual entities.

The following part contains an analysis of taxes paid by entities (both individuals and companies) that are based on income from holding, selling and renting real estate assets. The countries were selected due to the data availability with the particular emphasis on EU and European OECD members.



**Table 3. Personal Income Tax on Income from Renting the Real Estate Property in selected European Countries (2015)**

Country	Brackets	Rates	Additional Taxes/Fees	Deductions
Austria	€0–€11.000 €10.000–€25.000 €25.000–€6.000 more than €60.000	0% 36,5% 43,21% 50%	No	Repair cost; Renovation cost
Belgium	€0–€8.350 €8.350–€11.890 €11.890–€19.810 €19.810–€36.300 more than €36.300	25% 30% 40% 45% 50%	Local income tax	Each spouse or single person: €6.430; Additional deductions for children up to €12.750; Additional deductions for protected person (older than 65 years old) €2.730
Bulgaria	Flat tax	10%	No	No tax on agricultural land rental; Deduction up to 10% of the rental income for eligible cost
Cyprus	€0–€19.500 €19.500–€28.000 €28.000–€36.300 €36.300–€60.000 more than €60.000	0% 20% 25% 30% 35%	3%	Expenditure for the maintenance of buildings; 20% of gross rental income depreciation
Czech Republic	Flat tax	15%		Maintenance and repairs
Denmark	Flat tax	24,6%	8% (Health tax)	No
Finland	Flat tax	30-32% (depending on the region)		Part of interest in case of the mortgage; Renovation costs
France	€0–€5.963 €5.963–€11.896 €11.896–€26.420 €26.420–€70.830 €70.830–€150.000 more than €150.000	0% 5,5% 14% 30% 41% 45%	16,6%	Insurance and administration of rented premises
Greece	€0–€12.000 more than €12.000	10% 33%	1–4%	No
Hungary	Flat tax	16%	No	No
Ireland	€0–32.800 more than €32.800	20% 41%	2–7%	Single person: €1.650; Married couple: €3.300; One-parent family: €1.650 (additional); Loan interests



Country	Brackets	Rates	Additional Taxes/Fees	Deductions
Italy	Flat tax	15-21% (depending on the region)	1,23–2,03%	30% for the lease contract with rent agreement
Norway	Flat tax	28%		Income from a house where owner lives is tax-exempted if the area is less than 50% of total house area
Poland	€0–€735 €735–€20.362 more than €20.362 or Revenue Tax	0% 18% 32%  8,5%		Maintenance expenses; Municipal property tax; Interests on loan (up to certain limit); Construction and renovation costs  In case of Revenue Tax – No deductions possible
Portugal	€0–€7.000 €7.000–€20.000 €20.000–€40.000 €40.000–€80.000 €80.000–€250.000 more than €250.000	14,5% 28,5% 37% 45% 48%+2,5% 48%+5%	No	Maintenance expenses; Municipal property tax; Interests on loan (up to certain limit); Construction and renovation costs
Romania	Flat tax	16%	No	No
Slovakia	€0–34.402 more than €34.402	19% 25%	No	Maintenance expenses
Slovenia	€0–2.800 €2.800–€7.188 €7.188–€14.375 more than €14.375	0% 16% 27% 41%	No	General deduction rules; For dependent family members: €2.066–€8.246; For taxpayers over 65 years of age: €1.250 (max 13.5% of pension)
Spain	€0–€17.707 €17.707–€33.007 €33.007–€53.407 €53.407–€120.000 €120.000–€175000 €175.000–€300.000 more than €300.000	24,75% 30% 40% 47% 49% 51% 52%	Yes	No
Sweden	Flat tax	30%		No
Switzerland	€0–€14.471 €14.471–€25.772 €25.772–€33.659 €33.659–€44.959 €44.959–€58.943 €58.943–€63.577 €63.577–€84.309 €84.309–€109.512 €109.512–€1431.717 €143.171–€914.065 more than €641.065	0% 0,77% 0,88% 2,64% 2,97% 5,94% 6,60% 8,80% 11% 11,5% 13,2%	Yes	Loan interest; Maintenance costs; Administration costs; Environmental or energy savings payments

Country	Brackets	Rates	Additional Taxes/Fees	Deductions
United Kingdom	€0–€38.421 €38.421–€180.041 more than €180.041	20% 40% 45%	No	Advertising; Repairs and related services; Administration and insurance; Loan interests

Source: Union Internationale De La Propriete Immobiliere.

As shown in the table 3, in most of the analysed countries, the income tax from a rental income is progressive. The highest number of rates were recorded in Switzerland – 11, the smallest in Slovakia and Greece – 2. Nine countries applied one rate i.e. the flat tax rate. The level of tax rate also varies widely. For example, in some countries up to a certain limit, the tax rate may be 0%, while in some the highest threshold is more than 50%.

Since it is the income (not revenue) tax, most countries allow deduction from the base, in particular the costs of maintaining, renovating and financing real estate. In addition, selected states introduced the deductions for children and joint settlement with the spouse, thereby reducing the tax base, thereby reducing the risk of exceeding the higher income threshold.

**Table 4. Corporate Income Tax on Income from Renting the Real Estate Property in selected European Countries (2015)**

Country	Brackets	Rates	Additional Taxes/Fees	Deductions
Austria	Flat tax	25%	No	Repair cost; Renovation cost
Belgium	€0–€25,000 €25,000–€90,000 €90,000–€322,500 More than €36,300	24,98% 31,93% 33,54% 33,99%	No	No
Bulgaria	Flat tax	10%	No	No tax on agricultural land rental; Deduction up to 10% of the rental income for eligible cost
Cyprus	Flat tax	12,5%	3%	Maintenance of buildings
Czech Republic	Flat tax	19%	No	Maintenance and repairs
Denmark	Flat tax	25%	No	
Finland	Flat tax	30–32% (depending on the region)	No	Part of interest in case of the mortgage; Renovation costs
France	Flat tax	33,33%	16,6%	Insurance and administration of rented premises



Country	Brackets	Rates	Additional Taxes/Fees	Deductions
Greece	Personal companies	20%	1,5%–3%	No
	Capital companies	26%	3,5%	
Hungary		10–19%	No	No
Ireland	Flat tax	12,5%	2–7%	Loan interests
Italy	Flat tax	27,5%	1,23–2,03%	No
Norway	Flat tax	28%	No	No
Poland	Flat tax (Depends on the scope and size of the company)	15%/19%	No	Maintenance expenses; Municipal property tax; Interests on loan (up to certain limit); Construction and renovation costs  In case of Revenue Tax – No deductions possible
Portugal	Flat tax	25%	1,5%	Maintenance expenses; municipal property tax; Interests on loan (up to certain limit);
Romania	Flat tax	16%	No	No
Slovakia	Flat tax	23%	No	Maintenance expenses
Slovenia	Flat tax	18%	No	No
Spain	Flat tax	30%	No	No
Sweden	Flat tax	30%	No	No
Switzerland	Flat tax	8,5%	No	Loan interest; Maintenance costs; Administration costs; Environmental or energy savings payments
United Kingdom	Flat tax	21–28% (depending on the region)	No	Advertising; Repairs and related services; Administration and insurance; Loan interests

Source: Union Internationale De La Propriete Immobiliere.

In the event that the owner of the property is an enterprise organized within a legal entity, the tax settlement will be based on CIT. In this case, in most states, as opposed to PIT, tax rates are linear. Among the analysed countries only one applies tax progression. In other cases, tax rates range differs from 8% to 33%. The CIT rates for selected EU countries are presented above, in table 4.

As in the case of the PIT, most countries allow the reduction of the tax base by deducting the costs associated with the daily operation of the property. The possible deductions are presented below, in table 5.

Table 5. Annual Real Estate Property Tax in selected European Countries (2015)

Country	Type of Real Estate Property	Tax Base	Rate	Exemption
Austria	Any type	Assessed Value	1,5–2‰	No
Belgium	Any type	Assessed Revenue	40–50%	Yes
Bulgaria	Any Type	Assessed Value	0,1–4,5‰	€856
Cyprus	Any Type (State)	Assessed Value	0,6–1,9‰	No
	Any Type (Local)	Assessed Value	0–1%	No
Czech Republic	Arable land	Assessed Value	0,75%	No
	Grasslands and Forests	Assessed Value	0,25%	No
	Built-up area	Square Meter	€0,008/m <sup>2</sup>	No
	Houses, apartments	Square Meter	€0,08–0,4/m <sup>2</sup>	No
	Commercial and Industry	Square Meter	€0,4–2,0/m <sup>2</sup>	No
Denmark	Any Type	Assessed Value	1–3%	Yes
	Land	Assessed Value	3,4%	No
Finland	Land	Assessed Value	0,6–1,3%	Yes
	Buildings	Assessed Value	0,32–0,75%	Tax Relief for old buildings
France	Land	80% of the assessed rental value	0–10% (2,3% on average)	No
	Buildings or premises	50% of the assessed rental value	4,5%–29,26% (17,04% on average)	Yes
	Furnished accommodation	80% of the assessed rental value	4,5%–29,26%	No
	Any Type	Market Value	0,50–1,50%	€800000
Greece	Urban property – tax related to electric power system	Square Meter	€2,55–17/m <sup>2</sup>	No
	Urban property (State)	Assessed Value	0,2–2%	€200000
	Urban property (Local)	Assessed Value	0,025–0,035‰	No
Hungary	Land	Square Meter	€0,67/m <sup>2</sup>	No
	Buildings	Square Meter	€3,68/ m <sup>2</sup>	No
Ireland	Commercial properties	Assessed Value	0,18–1%	No
Italy	Any Type	Assessed Value	0,2–1,9%	First house is not subject to the tax

Country	Type of Real Estate Property	Tax Base	Rate	Exemption
Norway	Any type (State)	Market Value: 25% in case of one house, 60% in case of any additional	1,1%	€105.455
	Any type (Local)	10–100% of market value	0–0,7%	Up to €145.455
Poland	Buildings (for living purposes)	Square Meter	Max €0,18/m <sup>2</sup>	Yes
	Buildings (for business purposes)	Square Meter	Max €0,22/m <sup>2</sup>	No
Portugal	Land	Assessed Value	0,8%	No
	Buildings	Assessed Value	0,3–0,8%	No
	Vacant buildings and ruins	Assessed Value	Triple of the last used rate	No
	Buildings that belong to residents in tax heavens	Assessed Value	7,5%	No
	Houses of value over 1000000	Assessed Value	1%	No
Romania	Any type	Assessed Value	1% (individuals); 0,25–1,5% (legal persons)	Yes
Slovakia	Land	Assessed Value	0,25%	No
	Buildings	Square Meter	€0,033/ m <sup>2</sup>	No
Spain	Any Property	0,3–1,1%		No
Sweden	Detached houses	Assessed Value	0,75% of the 75% value	Max €792/year
	Condominiums	Assessed Value	0,4%	Max €135/year
United Kingdom	No	21–28%	No	Advertising; Repairs and related services; Administration and insurance; Loan interests

Source: Union Internationale De La Propriete Immobiliere.

Another common tax in European countries is real estate tax. It can be paid at both regional and central levels. It should also be noted that the differentiated method of calculating this tax can be distinguished.

First, the amount of tax may be differentiated by the type of property. The most common are the rates for residential buildings, commercial buildings and land. Secondly, the tax may be charged differently. The basis may be the area, market value or potential rental income. In the case of value or potential income, rates are expressed in percentages in the



analysed countries. In addition, some systems use a number of redundancies and reliefs, most often for the least earning owners.

What is important, is the fact, that the duty of paying the tax is not related to the actual income. Therefore it must be paid even when the property does not create any economic advantage.

An important element to consider when analyzing the tax risk associated with the acquisition and maintenance of real estate is also VAT. Its height is affected by the final gross price. Although it may be, under circumstances, deducted by the business entities (principle of neutrality of VAT), it does, however, affect the gross price for individual purchasers. The rates of VAT imposed on real estate assets as well services related to real estate properties are presented below, in table 6.

**Table 6. Value Added Tax on acquisitions and services related to Real Estate Properties in selected European countries (2015)**

Country	Construction services	Renovation services	Acquiring (from constructors)	Rental Income
Austria	20%	25%	0% or 20%	10% (residential); 0% or 20% (commercial)
Belgium	21%	6%	21% (new buildings)	No
Bulgaria	20%	20%	20% (new buildings)	20%
Cyprus	18%	18%	18%	No
Czech Republic	15–21%	15–21%	21% (new buildings)	No
Denmark	25%	25%	No	25% (optional for VAT payers)
Finland	24%	24%	No	10% (commercial properties)
France	19,6%	7–19,6%	19,6%	No
Greece	23%	23%	23% (new buildings)	No
Hungary	27%	27%	27%	No
Ireland	13,5%	13,5%	13,5%	No
Italy	10%	10%	10%	No
Norway	25%	25%	No	25% (optional for VAT payers)
Poland	8%	8%	23%	Additional VAT for renting possible (23%)
Portugal	23%	23%	No	No
Romania	19%	19%	No	No
Slovakia	20%	20%	20%	No

Country	Construction services	Renovation services	Acquiring (from constructors)	Rental Income
Slovenia	20%	20%	20%	20% (commercial properties)
Spain	21%	21%	21%	21% (commercial properties)
Sweden	25%	25%	No	No
Switzerland	8%	8%	No	8% (optional)
United Kingdom	20%	5%	No	No

Source: Union Internationale De La Propriete Immobiliere.

Value Added Tax is included in the price of goods and services purchased by consumers. Thus as the general deterioration in the market, it influences the structure and level of demand and supply, the revenue from this tax is changing – which influence is closely related to the general economic situation, and more precisely to consumption [Krajewska 2004].

## Conclusions

Acquisition of real estate property in order to obtain economic benefits, as any investment is risky. The article describes and presents tax risks. It should be noted that the possession of real estate involves the necessity to pay the tax, even when no economic advantage is created. On the other hand, the rental income is related to the payment of income taxes (both PIT and CIT) and in the case of companies adding to the rental price of VAT.

Taxes naturally diminish the amount of income. Their universality and inevitability of payment make the tax system an additional risk and economic cost for the entities deciding on this type of investment. Therefore, in the final calculation of the investment profitability taxes should be included as any other cost.

This article can be considered as a basis for further research that could be extended to non-European countries. What is more, the further direction of research could assume the conclusions resulting from the presented statistics and refer to the causality of observed phenomena and the consequences resulting from the presented solutions for the effectiveness of investments on the real estate market.

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