# What is the cost of moving real estate to private ownership ?

If you used **a corporation** in the past to buy **a business or investment property** and have the intention now **to take the property out of the company**, it is important to understand the tax consequences before moving forward.

In general, the **acquisition of new buildings** in Belgium is subject to **21% VAT**. A building is 'new' until 31 December of the second year following the year the building was first occupied. **The land on which the property is located** will also be subject to VAT if sold **simultaneously by the same owner**. If this is not the case, the land price is subject to a **transfer tax** instead.

If the company initially paid VAT on the purchase price and **fully deducted the VAT** if the property was put to **business use**, it should be noted that sometimes the **VAT deduction needs to be revised**. For real estate this revision period is **15 years**. For **example**, if the property is transferred to private ownership 7 years after purchase, the company will need to reimburse 8/15$^{th}$ of the initially deducted VAT.

While **depreciation of land** is not possible, the company will be able to **deduct the costs of buying and improving the property** and thus lower its taxable income in the process. **The depreciation rate** for office and residential buildings is **3%** and for industrial buildings **5%**. This is based on the normal economic life expectancy of the asset. Additionally, SMEs are also entitled to a **deduction of an extra depreciation** in the year of acquisition of the new building (so-called 'investment tax deduction'). Until 2022, this extra depreciation **amounted to 25%.** For investments done after 1 January 2023, the standard rate is back to its initial **8%**.

Due to the depreciation, the accounting value of the property will be **lower than the market value** after a few years. If the building is then sold or transferred to private ownership, the company will have to pay **capital gains tax** on the difference. For **example**, if the property was acquired for €500,000 and has been depreciated for €100,000, the accounting value will be €400,000. If the market value has in the meantime increased to €600,000, the company will be taxed on a capital gain of €200,000 in total.
For any **profit distribution** to the company owners upon **liquidation**, the total amount minus the **initial share capital contribution** will be subject to a **30% withholding tax rate**. SMEs can benefit from a more favourable tax treatment via the so-called '**liquidation reserve**'. Under certain conditions, the 30% tax rate is then **reduced to 10%** instead.

Finally, any **change in ownership** afterwards triggers a 12% (Flemish Region) or 12.5% (Brussels and Walloon Region) **transfer tax**. This also applies to business owners taking property out of their own company. Only for **certain company types**, like a BV/SRL, the transfer tax is €50 instead, and only if you were already a shareholder **at the time of purchase** of the property.

TAXPATRIA® can assist you with your **real estate structuring** and **business accounting.**