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Getting taxation right

With the increased focus on liquidity and cash flow in the commercial real estate sector in Sweden, due to the recession, there is a good argument to be made for being proactive when it comes to real estate taxes.

Commercial real estate is taxed every third year in Sweden on the value of the property two years previously. The taxation value is 75 percent of the market value. The last round was in 2007 based on values from 2005. The next round will be in 2010 based on 2008 values.

“There is a potential to save a lot of money by making sure the taxation parameters on a piece of real estate are correct,” says Åsa Henninge from NAISvefa, a leading real estate consultancy that works for the Swedish tax authorities as well as commercial real estate companies.

These parameters include size, usage, when built, renovations, standard, vacancies and so on.

“It is up to each and every real estate owner to make sure that these parameters are correct and of course many have a hard time with this,” says Henninge.

The trick according to Henninge is to properly

identify the usage of a particular property.

The Swedish tax authorities use three general types of buildings – homes/rental houses, industrial property and commercial spaces – as a norm, and value them according to their location.

But of course there are many deviations from these norms and that is what real estate owners should be aware of. For example, one piece of real estate could include offices, shops and a garage and be taxed for 100 percent office space.

Or another piece of real estate could include a school, a stadium and rental apartments. But what some people don't realize is that public facilities like hospitals, schools and sporting facilities are free of tax in Sweden.

“Additionally, many people don't know that the taxation of real estate can be divided into how that real estate is being used. I mean an office is worth more than a garage. For taxation purposes, it is about reporting the right figures,” says Henninge.



Åsa Henninge, NAISvefa