

EU-ISRAEL TWINNING PROJECT

FDI / Real Estate

Jerusalem, 28-31 October, 2013
Activity A.7, Balance of Payments





Delimitation of FDI / real estate

Selfmade definition

”Non-residents’ purchases or ownership of land and housing, primarily for non-commercial purposes, in the resident country”.

From OECD’s 4th edition of Benchmark Definition

”An entity resident in one economy may acquire direct ownership of land or buildings in another economy. The relevant transactions, positions and associated income flows should be recorded in the FDI statistics of both economies.” pp.104 in BD4



Outward FDI in real estate Denmark (bill. DKK)

	Opening Stock	Trans- actions	Revalu- ations etc.	Closing Stock
2009	19,2	0,4	-0,2	19,4
2010	19,4	1,5	0,4	21,3
2011	21,3	0,1	-0,5	20,9
2012	20,9	0,3	-0,5	20,7
2013	20,7			



Inward FDI in real estate Denmark (bill. DKK)

	Opening Stock	Trans- actions	Revalu- ations etc.	Closing Stock
2009	15,6	0,0	-1,6	14,0
2010	14,0	0,0	0,0	14,0
2011	14,0	0,0	0,1	14,1
2012	14,1	0,0	0,0	14,1
2013	14,1			



Data sources to the Danish FDI on real estate

Until 5 years ago the ITRS was the source

- Only the outward FDI was considered
- The stocks were cumulated flows (plus price index)
- When the ITRS was stopped in Denmark in 2004, data for the following years were projected from the cumulated flows

The method was changed appr. five years ago

- Information from TAX is now used to estimate both the inward and outward FDI on real estate



Inward FDI

TAX information

- Only persons with five years of cumulated residence in Denmark can acquire property in Denmark
- In practice, the inward FDI is owned by Danish senior citizens, resident abroad (Spain, France)
- The estimates are based on the property taxes, and therefore on the government's regular valuation of all Danish properties
- The statistics on inward FDI in real estate is allocated on countries using supplementary information
- The quality is medium



Outward FDI

TAX information

- Primarily "summerhouses" around the Mediterranean Sea,
 - Spain, Italy, France, Turkey but also Sweden and Norway
- The estimates are based on Danish residents' self declarations to the TAX authorities
- The statistics on outward FDI in real estate is allocated on countries using information from TAX
- The quality is medium: it is in the investors' (owners') interest not to report (and pay taxes), or at least to underestimate the value of the investment
- The Danish TAX authorities cooperate more and more with their EU colleagues to reveal such ownerships (subject for taxation)



FDI real estate - income

Denmark does not estimate the income from FDI real estate:

- FDI real estate constitutes around 1 % of the total FDI (stocks)
- Only a fraction of the real estate is rented out

(Assuming that income from real estate would be rent)