

NOTE 8. TAXES**8.1 ACCOUNTING PRINCIPLES****8.1.1 INCOME TAX EXPENSES**

The Group companies are taxable according to the tax rules of their country. In some countries, special tax regimes for public property companies exist.

Calculation of income tax expenses is based on local rules and rates.

8.1.2 DEFERRED TAX

Deferred taxes are recognised in respect of all temporary differences between the carrying amount and tax base of assets and liabilities at each financial year-end.

Deferred tax assets or liabilities are calculated based on total temporary differences and on tax losses carried forward, using the local tax rate that will apply on the expected reversal date of the concerned differences, if this rate has been set. Otherwise, they are calculated using the applicable tax rate in effect at the financial year-end date. Within a given fiscal entity or group and for a given tax rate, debit balances are booked to assets for the amount expected to be recoverable over a foreseeable period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be used.

The main deferred tax liabilities relate to:

- the mark-to-market of investment properties, resulting in the recognition of a deferred tax liability for non-tax-exempt assets;
- the recognition of intangible assets at the acquisition date identified on Viparis entities, particularly Viparis-Porte de Versailles and Paris Nord Villepinte, as well as on WFD entities.

8.1.3 TAX REGIMES

Different tax regimes exist in the following countries.

FRANCE – SIIC REGIME (*SOCIÉTÉ D'INVESTISSEMENT IMMOBILIER COTÉE*)

URW elected to participate in the SIIC regime from the creation of the regime on January 1, 2003. Its French subsidiaries eligible for SIIC status have also opted for this regime. The SIIC regime is based on the concept of tax transparency, meaning that rental income and capital gains made from divestments are not subject to income tax at the level of the Group's French property companies, but upon distribution to URW's shareholders. The SIIC regime requires that URW and its SIIC subsidiaries distribute 95% of their recurring income and 100% of their dividend income received from SIIC or equivalent subsidiaries before the end of the following tax year, and 70% of their capital gains before the end of the second tax year following the year in which the gain was generated. The SIIC regime only applies to real estate rental activities, therefore income generated by URW and its SIIC subsidiaries' ancillary activities remains subject to income tax.

SPAIN – SOCIMI REGIME (*SOCIEDADES ANONIMAS COTIZADAS DE INVERSIÓN EN EL MERCADO INMOBILIARIO*)

URW entered the SOCIMI regime in 2013 with most of its Spanish subsidiaries which own standing assets. The SOCIMI regime provides for a tax rate of 0% on recurring income provided that certain requirements – some of them related to the shareholders of URW – are fulfilled. Capital gains realised within the SOCIMI regime are taxed at 0%, and capital gains related to the period before entering into the regime are taxed at the moment of realisation. Based on the SOCIMI regime, the company has to fulfill distribution obligations of at least 80% of its profits annually, as well as 50% of its capital gains, provided that the remaining 50% is reinvested in the real estate sector within a three-year period.

THE NETHERLANDS – FBI/FII REGIME (*FISCALE BELEGGINGSINSTELLING/FISCAL INVESTMENT INSTITUTION*)

The requirements for companies to qualify for the FBI regime are partly related to their activities and their shareholding base. For the main part of the Group's Dutch real estate, following an agreement with the Dutch tax authorities, the FBI regime is not applied. WFD Unibail-Rodamco N.V., which owns the majority of the United States portfolio, does apply the FBI/FII regime. An FBI/FII has to distribute its income, calculated according to the rules for Corporate Income Tax, on a yearly base.

UNITED KINGDOM – UNITED KINGDOM REIT

URW applies the United Kingdom REIT regime for part of its United Kingdom real estate portfolio. Based on the regime, various restrictions apply, among them the requirement that at least 75% of the REIT's net profit must be derived from the property rental business, and 75% of the REIT's assets must be used in the property rental business or be held as cash. At least 90% of the income from the property rental business must be distributed within 12 months after the end of the accounting period. There's no distribution obligation for gains arising from the disposal of real estate used in the property rental business.

UNITED STATES – UNITED STATES REIT

URW has elected to apply the REIT regime for the main part of its United States portfolio. Like in other REIT regimes, there's an asset test (75%) along with various securities ownership limits, and in addition there is a combined income test: at least 75% of the gross income must be derived from real estate property rental or from interest on mortgages on real estate property, whereas at least 95% of the gross income must come from a combination of real estate related sources and passive sources, such as dividends and interest. United States law requires the REIT to annually distribute at least 90% of its ordinary taxable income.