

Buying Property Abroad

Buying property abroad is becoming more popular whether it is for a holiday home, a permanent home or investment. Whilst it is a very exciting proposition, it is important that you do not get carried away only to regret your purchase at a later date, or incur costs that you weren't expecting. Take time to consider all aspects of the procedure, take advice from professionals, and talk to those who have already purchased (but be aware of amateur experts).

Procedures and problems vary from country to country, but the main points to consider are:

Searching for a property

- There are many magazines, websites and exhibitions offering you a wealth of information and background knowledge on buying property abroad. Whilst this is beneficial as a starting point, local knowledge will be far more valuable to your purchase. It's important to know the area you are looking in and its appeal at all times of the year.
- If you intend to rent the property out, consider the market that you are aiming to attract. For example, don't buy an isolated property if you are hoping to rent to families who want to be near facilities.
- Visit Estate Agents but do not be tempted to sign contracts immediately. Some will show you a couple of properties and then expect you to make an instant decision.
- Be wary of "property searchers" who do nothing more than introduce you to a local agent and then charge you an additional fee if you buy a property.
- Be wary of "agents" who hide fees with an inclusive price. You may find that the extra services they are claiming to provide are already included within registered agents normal fees.
- Make sure you know whether the purchaser or vendor pays the estate agents fees. In France it is usually the purchaser, so make sure you know what you have to pay for.

Legal advice

When does a deposit have to be paid? At what stage is an offer legally binding? Who deals with the property transactions?

The processes and procedures of buying property vary between countries, so it is essential to obtain legal advice before making any commitments. There are many solicitors based in the UK who specialise in overseas property and related matters and, can help you to understand the system and operations in the country you have chosen.

Ownership of the property

There are various ways in which you can own a property and you need to know the options available to you, wherever your property is located. Each has its own advantages and disadvantages in terms of protection, tax and inheritance rights etc, so choosing the right one is essential – please see over for the ownership options.

- Individual Ownership
- Separate Ownership: *The most usual way in continental Europe*
- Joint Ownership: *The system most commonly adopted in England but not available in some countries*
- Company Ownership: *Either English or local to where the property is based or based in a tax haven*
- Ownership via a Trust: *This will depend on country*

The correct method will be dependent on individual situations, so take the time to understand the various options and their consequences for inheritance and tax before committing. There may be income tax consequences if the property is owned by a trust or company and you occupy it. Please take advice.

Inheritance

Understanding the country's system is vital to ensuring you are not caught out. Many countries have entrenched inheritance rights and, on your death the overseas property may have to be transferred according to the local regime and not your English Will.

For example, in France, in the case of a married couple with children, the deceased spouse must pass a certain proportion of their estate equally to their children and the surviving spouse does not have entrenched rights. The surviving spouse's entitlement will depend upon various other factors.

The inheritance regime does not just affect the transfer of property on death but will also be relevant for calculating any inheritance tax payable.

Taxation


Where you are taxed depends on your residency status and is matter of fact. If you live in one country you cannot choose to be taxed in another or hope you can avoid all tax regimes. Consider local taxes as well as income taxes, capital gains tax and inheritance tax.

Summary

By asking the right questions at the beginning you should be able to enjoy the ownership of your property with no unwelcome surprises. DSH Chartered Accountants & Business Advisors are here to offer you professional advice on the financial and UK tax aspects of owning property abroad. On hand to make the process as smooth as possible, contact us in the early stages to minimise unnecessary complications later on.

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