

# Purchasing Real Estate in the British Virgin Islands

## The Non-Belongers Land Holding License

All overseas investors, including citizens of the United Kingdom, require a Non-Belonger Land Holding License to purchase property in the British Virgin Islands. Agreements to purchase property are therefore made contingent upon such a license being obtained by the purchaser. A license gives an entitlement to own a specific property.

Application for a Non-Belonger Land Holding License is made to the Government of the British Virgin Islands and must be supported by two character references, a financial reference, and a police certificate of good standing.

If the application for a license relates to undeveloped or partly developed land the applicant will be required to make a commitment to the Government of the British Virgin Islands to expend a specified sum on development within a period which will normally be less than three years. The development commitment required will be no less than \$250,000 and may be proportionately more according to acreage. Environmental and other planning considerations will determine the appropriate level of development. Subdivision of land is not encouraged except as part of a comprehensive development scheme.

A property cannot be resold until such a development commitment has been fulfilled. The objective of the licensing regulations is to prevent speculation on undeveloped property. The Minister of Natural Resources and Labour is responsible for approval of license applications. Those in respect of sites that extend to more than three acres must be approved by the Executive Council.

There is a license-filing fee of \$200.00 for each person or \$300.00 for a company named on the application. Typically, approval may take between three and nine months to obtain. The fee for the grant for the license is \$600.00 for each person or company named in the license.

There are no restrictions on an overseas investor reselling a developed property. An overseas investor is free to let a property on a long-term or short-term holiday basis upon approval of a Trade License application: excellent management services are available in the British Virgin Islands. Caribbean Realty Limited manages long-term rentals only but will gladly refer qualified management agencies to any prospective owners interested in short-term rentals.

## Procedure for Purchasing Property

**Earnest Deposit:** It is standard practice for a prospective purchaser to pay a 10% earnest deposit to the vendor's agent to be held in escrow before signing of a Sale and Purchase Agreement. Although payment of a deposit does not bind the vendor or their agent legally, it is taken as a clear indication that a purchaser intends to sign a Sale and Purchase Agreement forthwith. Caribbean Realty Limited will only submit an offer when a 10% deposit and a Letter of Intent to Purchase the property has been signed by the purchaser.

**Sale and Purchase Agreement:** Once agreement has been reached between the purchaser and the vendor a legally binding Sale and Purchase Agreement, which attorneys for each party have approved, is then signed. This will normally contain a condition that completion of the purchase is contingent upon the purchaser obtaining a Non-Belonger Land Holding License.

**Application for a Non-Belonger Land Holding License:** Four advertisements from a local newspaper stating the property description and price must accompany the application for the Non-Belonger Land Holding License. Financial and personal references, a Police Certificate verifying no criminal records, the proposed use of development of the property are also requirements of a Non-Belonger Land Holding License. A buyer should begin processing this application as soon as possible after signing of the Sale and Purchase Agreement in order to adhere to the time limitations.

**Completion of the Sale and Transfer of Title:** Completion will normally take place within 30 days of receipt of a Non-Belonger Land Holding License. Payment of the balance of the purchase price is due at this stage. Neither purchaser nor vendor need be present in the British Virgin Islands at any stage of the transaction.

**Attorneys and the Legal System:** The legal system in the British Virgin Islands is based on the English Common Law and locally enacted Legislation. It is essential that the purchaser appoint an attorney in the British Virgin Islands to act in the purchase transaction. An attorney's responsibilities will normally include submitting the application for a Non-Belonger Land Holding License. In general, sale conveyance fees are 2% of the first \$100,000 and 1% of the remaining consideration, but not less than \$150.00. There is an additional fee of \$300.00 for preparing the Land Holding License application. Caribbean Realty Limited strongly advises all purchasers to employ a BVI Solicitor to oversee and monitor the Sale and Purchase Agreement transactions.

**Tenure and Registration of Title:** The majority of land in the British Virgin Islands is owned in fee simple. A purchaser will normally acquire absolute title, which is registered in the Government of the British Virgin Islands Land Registry. Registered titles relate to a detailed Cadastral Survey that defines legal boundaries. No transfer of land can take place unless boundaries of the property have been determined to the satisfaction of the Registrar of Lands.

Property in the British Virgin Islands may also be held on a long lease from the Crown or private individuals. Most often, the duration of such leases is 99 years. Remaining years of pre-existing leases are transferred to each vendor until the original lease expires, upon which time extensions are renegotiated.

For practical purposes, a purchaser of such a leasehold interest will enjoy all the benefits of an absolute title for the duration of the lease. At the end of the lease, the property reverts to the Lessor.

**Financing a Purchase:** The following banks in the British Virgin Islands offer worldwide banking services:

- **ScotiaBank (BVI)**
- **Development Bank**
- **First Caribbean Bank**
- **1<sup>st</sup> Bank Virgin Islands**
- **Banco Popular**
- **VP Bank (BVI) Ltd.**

Mortgage finance of up to seventy five percent of the appraised value of a property or the purchase price, whichever is less, will usually be available to overseas investors subject to status. Construction financing is also available. Mortgages are granted for terms of up to twenty years. Interest rates are generally one and a half to two percent above New York Prime Rate. Banks will also consider financing the purchase of the land without structures or improvements.

**Real Estate Taxes:** On the transfer of title to a property Stamp Duty, at the rate of 12% of the price or appraised value, is payable by any Non-Belonger Purchaser. Belongers are required to pay a 4% Stamp Duty.

Annually, Land Tax is levied at the rate of \$50.00 for the first half acre or less, \$150.00 on more than half but not exceeding one acre and \$50.00 on each acre thereafter, or part thereof. House Tax is levied at the rate of one and a half percent (1.5%) of the assessed annual rental value. In practice, this means that for an average two or three bedroom house the annual house and land taxes will be less than \$500.00. If a purchaser intends to rent out the property for investment purposes, income taxes are also required and these rates vary according to use. A Trade License is required of each owner and the annual fee for such is \$400.00 to a Non-Belonger.

**Income Tax:** In 2004, the government announced that income tax for both companies and individuals would be abolished with effect from 2005, with the introduction of a payroll tax at 14%; 8% to be paid by employees and 6% (2% for smaller companies) by the employer. The first \$7,500 of income, however, is exempt. In January, 2005, the Legislative Council approved the new payroll tax.

**Building a House:** Building costs vary between \$150 and \$250 per square foot for quality construction and finishes. An average sized swimming pool may cost in the range of \$25,000 to \$45,000 to construct. Several first class architects and contractors are based in the British Virgin Islands and good skilled labourers are available. Architects fees will vary according to their level of involvement, responsibility and the complexity of the work. Fees for design and supervision will generally be about 10%.

Most building materials are imported through local merchants. Materials may be imported directly and will be liable to import duty levied at rates between 5% and 20%. From the planning stage, a house may take 9 to 18 months to complete. There are no restrictions against an owner building a house using his own labourers providing the proper labour codes have been observed.

**Planning and Building Control:** Development in the British Virgin Islands is governed by planning guidelines that determine general policy. Currently there are no zoning laws in the British Virgin Islands but it is being planned for the near future.

Development proposals must be approved by the Land Development Control Authority who is concerned with government planning and by the Building Authority who is responsible for ensuring that buildings are of structurally sound design. It is preferred that the working drawings be prepared and submitted to these Authorities by architects based in the British Virgin Islands.

**Import Duty on Possessions and Furnishings:** Within six months of first arrival in the British Virgin Islands each adult immigrant or person staying for more than six months is permitted to import up to \$1,000.00 worth of "used" possessions and furnishings without incurring liability to import duty. After six months, such items are subject to duty at rates that vary between 5% and 20%. Import duty on vehicles is 20%.

New possessions and furnishings, whether imported before or after the expiration of six months, are liable to duty charges.

## Utilities and Services

**Electricity:** A reliable 110v, 60-cycle mains supply is available on Tortola, Beef Island, Virgin Gorda, Great Camanoe, Jost Van Dyke and Anegada.

**Water:** Although a main supply of purified water is widely available in Road Town and several outlying parts of Tortola, most household water is economically provided by roof catchment of rainwater. This water is stored in cisterns integrated with the foundation design of each building. Fresh bottled drinking water is for sale in most grocery stores.

**Sewerage:** In Road Town there is a main sewerage system. Elsewhere private septic tanks are the standard.

**Gas:** Propane gas, supplied in cylinders of one hundred pounds (100 lbs), is commonly used for cooking. Deliveries are made upon request from either Shell Antilles or O'Neal Gases.

**Telephone:** A modern telephone network, Cable & Wireless (BVI) Ltd, with international direct dialing extends to most parts of the populated islands. ATT calling cards, telex, facsimile and cellular telephone services are available.

**Internet Service:** Cable & Wireless (BVI) Ltd., is also the Internet Service Provider with a number of different services available including ADSL and dial-up accounts.

**Cable Television:** BVI Cable TV is able to provide approximately twenty-two various channels, including HBO, to the majority of residential areas in Tortola. These services extend to Virgin Gorda.

**Postal Services:** Postal delivery is provided by a system of Post Office boxes on a yearly rental or via general delivery at the Post Office branches situated at: Road Town; East End; West End; and Virgin Gorda. Express and general mailing services are available via: Rush It Inc., Federal Express, DHL Worldwide Express, and Inland Messenger Service.

**Work Permits and Trade Licenses:** A Work Permit is required by Non-Belongers who wish to engage in temporary or permanent employment in the British Virgin Islands. Permits will only be granted where it is demonstrated that the position cannot be filled from local labour force.

A Trade License is required to operate a business in the British Virgin Islands. A Work Permit will also be required in conjunction with the Trade License if the business operator is self-employed.

Full details of these regulations can be obtained from the Ministry of Natural Resources and Labour, and the Chief Minister's Office.

**Immigration:** Purchase of a property in the British Virgin Islands does not in itself establish resident status. Any person who intends to reside permanently in the British Virgin Islands may apply for a Certificate of Residence entitling the holder to land or embark in the Territory for an indefinite period.