

Purchasing property in Barbados

In Barbados property is passed by conveyance of title; it is evidenced by the recording of title deeds and certified survey plans at the 'registry of title'. A purchaser will require a registered Barbadian attorney to search the register and establish title to the property prior to the completion of a sale.

The purchaser agrees the terms with the vendor and enters into a contract prepared by the vendor's attorney, which provides for a deposit of 10% to be made to secure the property. This deposit is held by the vendors' attorney in escrow until completion (approx. 90 days), when the balance of the purchase price is paid and the title passes to the purchaser by way of the conveyance. Between the time of executing the contract and the completion of the sale, the legal representative of the purchaser will search the title and ensure that there are no encumbrances, charges, encroachments, or other impediments to the sale.

The title may be taken in an individual's name or through a corporate vehicle set up to own the property. It is usual, in the case of non-residents of Barbados, that they purchase property through a company, which may be incorporated outside Barbados, but that must be registered to do business in Barbados. In many cases, non-residents use such a corporate vehicle in order to make the onward sale of the property simple.

Transaction Costs

In 1998, the Government abolished property transfer tax for non-national purchasers, which was previously set at 10%. Sales commissions and survey costs are borne by the vendor. Each party bears their own legal fees, which are based on a scale of fees ranging between 1.5% - 2% plus 15% VAT. On average, the cost would be approximately 1.5% for the purchaser. This is the only purchase transaction cost other than incidental costs of forming and registering a company if a corporate vehicle is to be used.

When selling a property the vendor would normally incur sales commissions of 5%, transfer tax of 2.5%, stamp duty of 1% and legal fees of approximately 1.5%.

Operating Costs

The owner of improved property (house and land) in Barbados will have to pay an annual land tax at the following rates:

- 0% on the first US\$62,500
- 0.10% on US\$62,501 - US\$175,000
- 0.65% on US\$175,001 - US\$425,000
- 0.75% on Excess over US\$425,000

Commercial Properties 0.65% of value
Unimproved Land (land only) 0.60% on unimproved value of land

The main other operating costs would include insurance, which ranges from 0.4% for residences; 0.6% for commercial buildings
0.9% for hotels, and in all cases would depend on characteristics of the building and the site.

Other major costs would include metered utilities and any common assessments applicable to master planned communities.

Mortgages and Financing

Most properties in Barbados are bought with a combination of owners' investment and borrowing. Twenty to twenty-five year mortgages are available for residents of Barbados and, in the case of non-residents, US dollar loans are available for up to 60% of the value of the investment over a term of up to fifteen years. Interest rates for Barbados dollar loans are around 10%, and foreign currency loans float at around 3% over LIBOR.

Income Producing Properties

There is an active rental market for both long-term and vacation rentals. Returns in the residential market can vary widely depending on the type of property but in general, investors should expect returns in the 5% to 12% range on income plus capital appreciation.

Property owners wishing to rent their property on the short-term rental market must apply 7.5% VAT to the rent. The registration for VAT allows the property to deduct VAT on input costs. The profit derived from the rental activities will be subject to income tax in Barbados, and a remittance of a dividend or interest.

New Developments (Condos/Houses)

10% reservation deposit

85% stage payments throughout the construction period (usually 12-18 months)

5% retention

Maintenance Fees for properties within a development

Range from US\$200 to US\$750

(The above monthly fees vary from development to development).

The current exchange rate guide: BBD \$1.98 - US \$1

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