

★ Alyn Smith MEP

Member of the European Parliament



A ROUGH GUIDE FOR SCOTS BUYING PROPERTY ABROAD

Foreword by Alyn Smith MEP

During my seven years as a Member of the European Parliament, my inbox has been flooded with queries, questions and concerns on many of the same issues, and none more so than of problems that have arisen from Scots buying property abroad.



Buying property in another country whether as a holiday home or to permanently emigrate is more popular than ever. It is one of the key rights you have as an EU citizen, and in the past decade there has been a surge in the number of Scots who own a home abroad. The majority of Scottish buyers are in their late 40s and 50s and many intend to retire overseas. However, being unprepared and unaware of local laws means their dream of living abroad often becomes a nightmare, and there is little I or anyone else can do to assist.

In 2009, after a number of constituents came to me for help, I teamed up with the Cyprus Property Action Group to intervene on behalf of Scots home owners in the country who had found themselves in difficulties. I wrote, very positively, to the President of Cyprus raising the issue with him and suggesting he establish a foreign property advice centre, but sadly did not even receive a response despite repeated follow up letters. The volume of people having property related difficulties in Cyprus has led me, with much regret, to advise against buying property on the island at all.

More recently in the European Parliament, I have signed a Written Declaration on the violation of the right to own property represented by the Ley de Costas (Law on Coastlines) on the Costa Brava in Cataluña.

It is, of course, not all bad, and a number of folk manage to buy and enjoy property in various places, and good luck to them. However there are pitfalls, and this guide may hopefully identify a few of them. It is a rough guide only, many of the points seem obvious but all are drawn on our experience of the sort of problems people can encounter. It should be merely the start of your

research. You must seek legal advice and remember; every country (and even region) is different. The decision to buy property abroad is not one which should be taken lightly.

Yours aye,



Alyn Smith MEP

Introduction

Many people come across properties while on holiday, and often don't allow themselves time to think about the practicalities of their potential new home. It is easy to fall in love with a new place, but have you considered your options and circumstances? Before you start seriously looking at properties it is worth asking yourself a few basic questions, which although simple, could save you time, money, and perhaps a few tears in the long run:

- How well do you know the country you want to move to? The language? The culture?
- How well do you know the local laws? The local taxes?
- How good are the local health and social services?
- Will you have a pension? Will it be sufficient for your needs?
- How much time are you hoping to spend at your new home? Would a time-share be more suitable?
- If your new home would be a holiday home, would you tire of visiting the same place?
- Do you have adequate health insurance/do you qualify for free healthcare?
- How easy would it be for you to meet people in your new area?
- How easy/cheap is it to travel to Scotland? Are you likely to have visitors?
- Are flights readily available should there be a family emergency at home?
- How adaptable are you to living in a warmer climate?
- If your property is for retirement, would it be suitable if you have limited mobility?
- How much work, and money, are you willing to put in to your new property?
- Do you know the costs of insurance? Local trading costs?

Do your Homework

Research all legal issues and costs involved. This will take some time but if you fail to do so, you could find yourself in trouble. For instance, did you know that if you're buying in Spain you'll need to make out a will in Spanish before buying, or you can inherit debts from a previous vendor? If you die, is your Scottish will capable of transferring all property, wherever situated, to those you intend to inherit it? Would Scottish law be applied to the winding up and division of your estate?

Your solicitor/lawyer will advise and assist you but before you have decided on a property it is imperative that you are fully aware of the legal process and regulations involved in your purchase.

Use Professionals

Seek professional advice. Both in Scotland, and in your chosen country, seek the advice of experienced lawyers and estate agents. Only negotiate with ones that are officially registered, hold a licence and have experience of dealing with expats. Unless you are fluent in the local language, ensure those you work with have an excellent command of English. Seek recommendations from expats who have settled in your chosen area.

Sort out your Finances

Be well prepared with your finances; taxes can be high when buying. Being able to afford the advertised price of your new home is simply not enough. Will you be liable for tax in Scotland also? Have you accounted for potential labour costs, lawyer's fees, bills from your estate agent and furnishing your new home? Will you be paying from a Scottish bank or a new foreign bank account? Will you rent your property if it is empty? Bear in mind, advertising in Scotland for a property abroad could result in tax demands from both the Scottish and foreign authorities. Have you looked into inheritance tax? In Spain, for example, inheritance tax can be as high as 81.4 per cent where the estate passes to anyone other than a close relative. In France, rates can be as high as 60 per cent, and buyers may find they can't stipulate who inherits their property. It is even possible for a property overseas to be taxed twice – in the Scotland and abroad.

Be Sceptical

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Buying a new property can be exciting but you must remain sceptical. Don't be fooled by claims of huge capital growth and rental yields when viewing a property. A property is a place to live, not an investment. Before deciding whether it is a good buy, factor in the likely costs of maintaining the place and get to know the area. Take the time to view properties in person too rather than getting serious about properties as seen from your laptop in Scotland. If it sounds too good to be true, it probably is.

Useful Contacts

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