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Property Purchase Guidelines

Barbados

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Barbados Property Purchasing-Legal Guidelines

Residents and non-residents are treated the same in Barbados with respect to the ability to purchase property. There are no restrictions on foreign ownership. The two primary methods in which Barbados property is purchased are: (1) domestic conveyance; or (2) transfer of shares of an offshore company owning the Barbados property.

Many non-residents elect to own Barbados property through an offshore company for the flexibility it can offer on resale on in estate planning. Upon a domestic transfer, there is a property transfer tax of 2.5% and stamp duty of 1% due by the vendor. There are exchange control regulations in place and foreign currency brought into Barbados must be registered with the Central Bank of Barbados. This process is generally a formality but can be necessary in order to be able to eventually remove the funds from Barbados. The utilization of an offshore company can eliminate the payment of both property transfer tax and stamp duty as well as the requirement to register foreign currency if resale of the property is by way of share transfer. Purchasers of property owned in a domestic capacity may therefore want to consider an offshore ownership structure. It is recommended that proper tax consultation be sought to confirm the benefits of an offshore structure taking into consideration the purchaser's tax domicile and to address ownership of the offshore entity.

Depending on the jurisdiction of the offshore holding company, the complete set up costs are in the US\$5,000.00 range. The British Virgin Islands, St. Lucia, and St. Vincent and the Grenadines are popular offshore jurisdictions for offshore ownership of Barbados property though other jurisdictions are utilized. Under Barbados law, an offshore company owning property in Barbados must register as an external company with the Barbados Corporate Affairs and Intellectual Property Office. In each offshore jurisdiction in addition to Barbados there are annual filings due to keep the company in good standing. Combined the annual costs total approximately US\$1,600.00.

The most popular justifications for the use of an offshore holding company are the circumvention of the payment of property transfer taxes and stamp duty as well as Barbados exchange control regulations which allows for future

sales of the property to be in United States dollars or other currencies. It is important to weigh these factors against the set up and annual costs of the structure.

As to the purchase process itself, once the purchase price is agreed upon, the parties sign a sale and purchase agreement (usually reviewed and approved by legal counsel) and ten percent (10%) of the purchase price is paid and held in trust until completion. The balance of the purchase price is paid over at completion. In the interim, purchaser's attorney verifies free and clear title to the property and ensures that there are no other impediments to the sale. If the transaction involves an offshore company, purchaser's counsel conducts a complete corporate search of the offshore entity. Upon a domestic completion, there will be a conveyance of title to the purchaser which is evidenced by the recording of title deeds at the Barbados Land Registry. In the case of an offshore company, the shares of that company are transferred to the purchaser or purchaser's designee.

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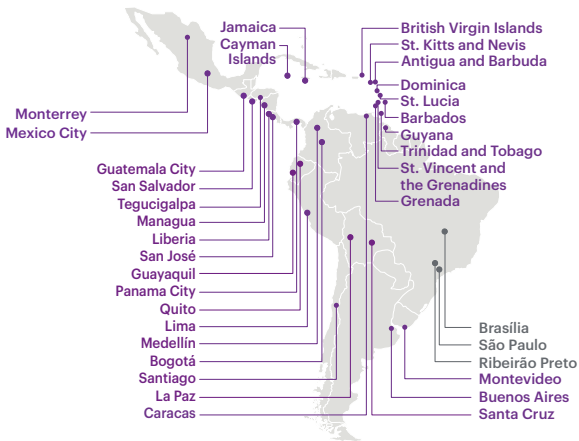
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