

# planning for overseas property investment

Clients are increasingly investing in property overseas. Consequently, practitioners need to broaden their knowledge of issues surrounding such moves. Massimo Laudato provides an overview of the key issues to consider.

■ **Overseas property investment is a firm favourite with British investors who have traditionally focused on investing in popular European holiday destinations such as France, Spain and Italy.**

The geographical proximity of these countries to the UK, their membership of the European Union (which has made the transfer of funds and circulation of people easier) and the stability of their legal and tax systems have all contributed to creating a stable environment that provides a perception of security that is of paramount importance to property investors.

The countries mentioned above are still the favourite for British investors. However, other markets now attract much interest from British investors, with some of them benefiting from their recent accession to the European Union – for example Cyprus and Bulgaria.

It is becoming increasingly common for practising accountants to have clients who are considering investing in property overseas, or have already taken the plunge. In such a case there will be implications in terms of tax compliance and opportunities for tax planning that the accountant would like to be able to provide professional advice about.

## complex affair

Investing in property overseas is generally a more complex affair than is portrayed by dedicated television programmes or by the vast majority of the media. Although a professional adviser cannot possibly have a country specific knowledge of all the features for a large number of jurisdictions there are a number of general and critical aspects that an accountant can point out to their clients for consideration.

## aspects to consider

The first aspect to be considered should be that of researching the conditions of the destination market in terms of property price trends and statistics, overall situation of the economy, stability of the legal and tax system, restrictions on ownership placed on foreign investors or restrictions on currency exchange.

The second aspect is becoming acquainted with the legalities and practicalities of the property purchasing process in the country of choice.

Other aspects to be investigated are the effects of local legislation on property ownership and on the transfer of ownership by way of sale or succession. In particular the provisions of inheritance law can be of particular concern in certain countries and require careful planning.

Obtaining an understanding of the local taxation applicable to property acquisition, ownership, rental income, disposal gains or inheritance is also of paramount importance to an investor.

The accountant should also evaluate and advise the clients on the UK taxation issues arising from overseas property income, gains or inheritance.

Finally the interaction of both foreign and UK taxes on the overseas property would need to be evaluated both for compliance and planning purposes and any double tax treaty

between the UK and the investment country should be considered to minimise taxation and avoid a double tax charge.

## support

The information highlighted above can be hard to obtain without the help of local professionals. However, in the traditional property investment markets of France, Spain and Italy a large amount of information can be gathered from ad hoc professional courses or reputable international estate agents.

The country specific level of knowledge required by an accountant in order to provide effective advice in respect of an overseas property investment does not need to be extremely detailed; rather, it needs to be precise and up to date. ■

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## TECHNICAL FACTSHEET – INVESTING IN ITALY

ACCA UK has prepared a factsheet on property investment in Italy which is intended to be a one stop shop (or a solid stepping stone) to enable a practitioner to provide advice to a client intending to invest in Italy. The factsheet covers legalities and practicalities and provides applied guidance – using a case study illustration – on income tax, capital gains tax and inheritance tax issues for a UK investor in order to assist with effective taxation planning and compliance for a property investment in Italy.

You can download the factsheet from our website at <http://uk.accaglobal.com/uk/members/technical/taxation/guidance/>