

You can own a holiday home



MANY people dream of owning a holiday home or investment property abroad but are concerned by a host of potential ownership difficulties.

There is, however, an established scheme in France which allows for both the purchase of a holiday home and which also provides a guaranteed income year on year. The leaseback scheme, or Residence de Tourisme, was established in France in 1976. It is a government-backed scheme designed to increase tourist accommodation in France.

It is open to non-residents and is becoming increasingly popular in the UK as either a pure investment with a guaranteed income, as a holiday home option, or indeed both.

The scheme works by buying a freehold

property. You become the legal owner. The property is then leased back to the developer or a management company. Under the leaseback scheme the government also refunds you the VAT normally charged on new-build properties (currently 19.6 per cent). The owner is then guaranteed a rental income throughout the period of the lease.

The net return to the owner varies between developments but is typically between four per cent to seven per cent. This compares very favourably with a typical 20-year fixed rate mortgage of about 4.6 per cent, and variable rate mortgages which are much lower. It can be seen how the rental income can be used in respect of the mortgage payments.

Loans of between 75 per cent and 85 per cent are available depending on circumstances. The rental yield is also index-linked annually to construction costs, which means the rental income increases by about 2.5 per cent per annum.

As in the UK, there are tax allowances in respect of mortgage payments which can be offset against income. The lease typically lasts between nine and 11 years, after which the management company has the option to either renew, or the property can be sold, or rented out and held privately by the owner. The buyer/owner can also enjoy periods of usage free of charge through the year, depending on the terms of the lease.

The management company is responsible for all the maintenance of the property, including maintenance of furnishings, which are often included in the purchase price. The developer is also responsible for insuring the building and its contents. It also pays for some of the

property taxes and all the utility costs. Naturally, it is important to appreciate the potential pitfalls.

Consideration should be given to the options available on completion of the lease. The risks of the developer or management company going into liquidation can be reduced by dealing with large well-established companies with a proven track record. Remember that, whatever happens, you retain ownership of the property. It is also important to understand the differences between UK and French mortgages and legal structures.

Potential problems can be overcome by careful planning and appropriate advice.

With experience of property ownership in France, Francoise Joyce, partner of Esprit Property Consultants, will be delighted to offer advice. She can be contacted at sales@esprit-consultants.co.uk or Charnock Court, 6 South Parade, Wakefield, WF1 1LR on 07814 781461. Alternatively, you can visit www.esprit-consultants.co.uk.



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