

# **A Guide to International Property Investment**

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# Introduction

## Neil Stokes

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We have all heard the mantra that says when buying property it is *“location, location, location.”* For International Investment Property, *Jurisdiction and Taxation* assume almost equal importance and should become before the 3 *locations*.

Investing in a rental property is not like buying a stock though – choosing the right property, maintaining it collecting rent - all take time and must be thought through when considering such an investment.


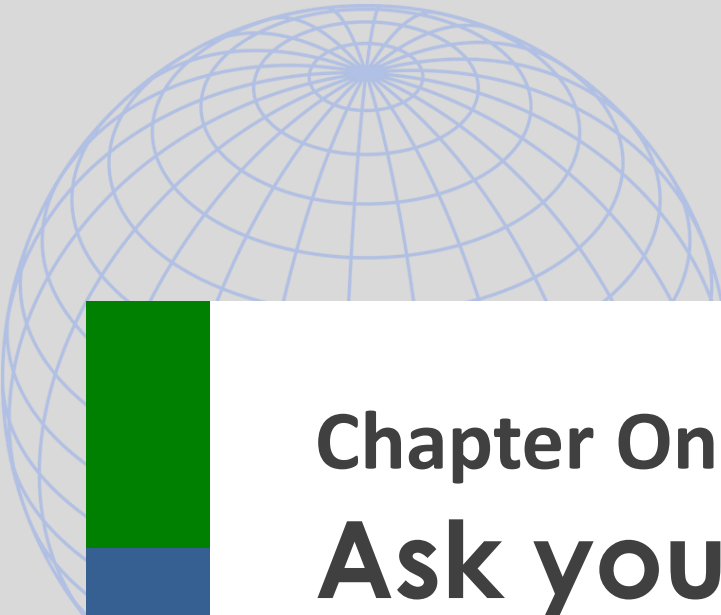


So, put a value on your time! This calculation can be as simple as dividing your weekly salary by the hours normally worked but is often overlooked – if your employer values your time at \$xx per hour then the value you put on it should be at least that!

Having spent in excess of 10 years living and working in Bermuda, Ireland and latterly Hong Kong I have considered (and bought) property in a range of jurisdictions for both residential and investment purposes. For the purposes of this guide I am assuming the investor is Hong Kong based; however the principles equally apply to investors in all jurisdictions with one key exception.\*

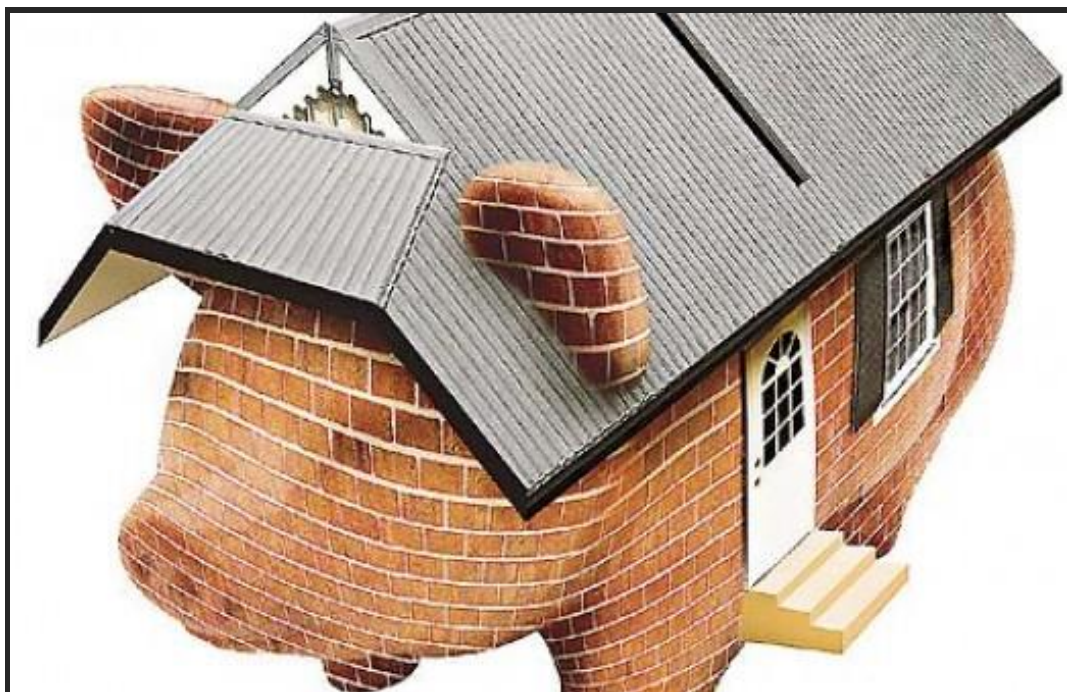
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*The exception is the tax treatment of any overseas income/gains in the jurisdiction which the investor is resident and any double tax treaties in force with the country where the investment is made-this has to be researched on a case-by-case basis.*



# **Chapter One**

# ***Ask yourself***



*The true core of property investing is in the rental returns, everything else is a bonus*

As I said in the introduction, when it comes to international investment property Jurisdiction and Taxation assume almost equal importance and should be given even more weight than location. However there is a step that comes before all these considerations which is arguably more fundamental: **Why Investment Property?**

Property represents a natural diversification of a portfolio away from the traditional stocks and bonds. Stories of quick gains (or losses) with property are common and the staple of many a tv programme, but the true core of property investing is in the rental returns.

Rental generates a steady monthly income, much like a classic dividend-paying utility stock. Any price appreciation should be seen as a bonus.

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# **Chapter Two**

# **Jurisdiction**



*For every minute closer to the center of London, property values rise by an extra £3,000, a new research revealed*

The vast majority of overseas property investment from Hong Kong is in the Japanese, Australian, US/Canada and UK markets. These have the advantages of being strong, heavily regulated and transparent markets, which is vital for peace of mind when investing so far from home.

They also have, with the exception of Japan, the advantage of being the countries most likely to be the study locations for the children of the investors and so exert a certain pull, but this is a consequence of the stability of the Jurisdiction itself.



Such jurisdictions also have no exchange controls and so capital can be moved freely for purchase and sales.

Other markets, such as Thailand and the Philippines, have restrictions on foreigners owning land. Condominium units and apartments can be owned, but such devices tend to limit the resale market and make financing more difficult.



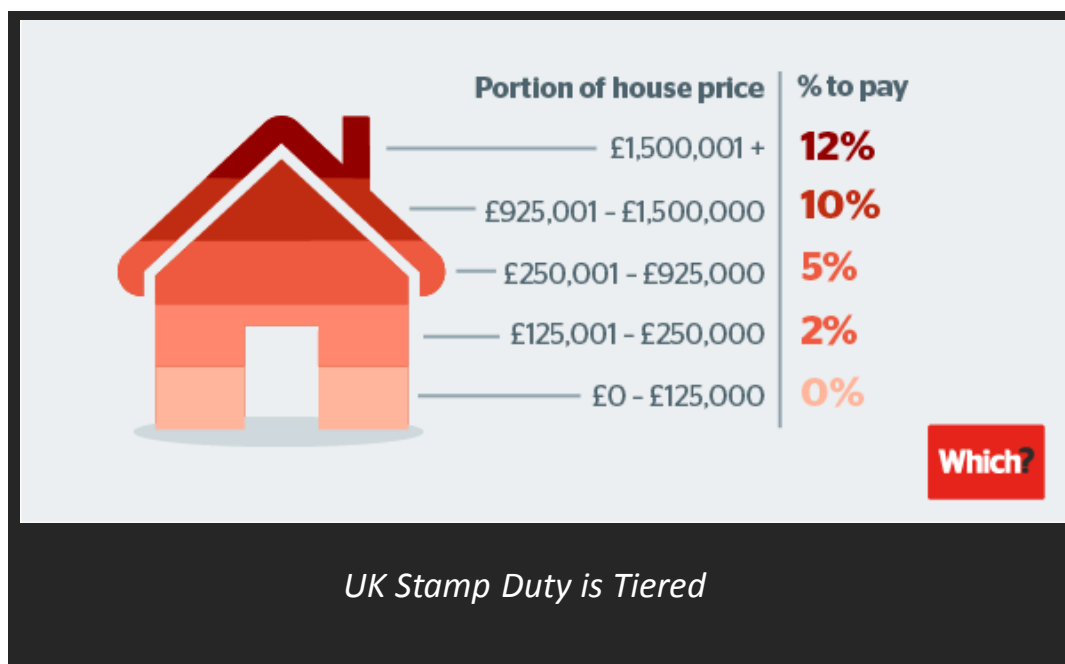
*There are a number of considerations to make before committing into purchasing Thai Real Estate.*



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# **Chapter Three**

# **Taxation**



The majority of jurisdictions will have some if not all of the following taxes and duties relating to property: Stamp Duty on acquisition, Income Tax on rental income, local property holding taxes and Capital Taxes on sale or death.

All of these will need to be reported locally and so it is vital that the requirements and deadlines are fully understood and steps are taken to ensure compliance.

Ignorance of the law is no excuse and late filing fees and penalties can accumulate rapidly and will not be allowable against any tax bill!

As noted above it is vital to understand how the above are treated in your home jurisdiction. High sounding returns can quickly be eaten away by high taxes. Luckily in Hong Kong any such income or gains are not taxable but this tends to be the exception.



*Malta and Faroe Islands: the only two places without property tax in Europe*



# **Chapter Four**

# **Foreign**

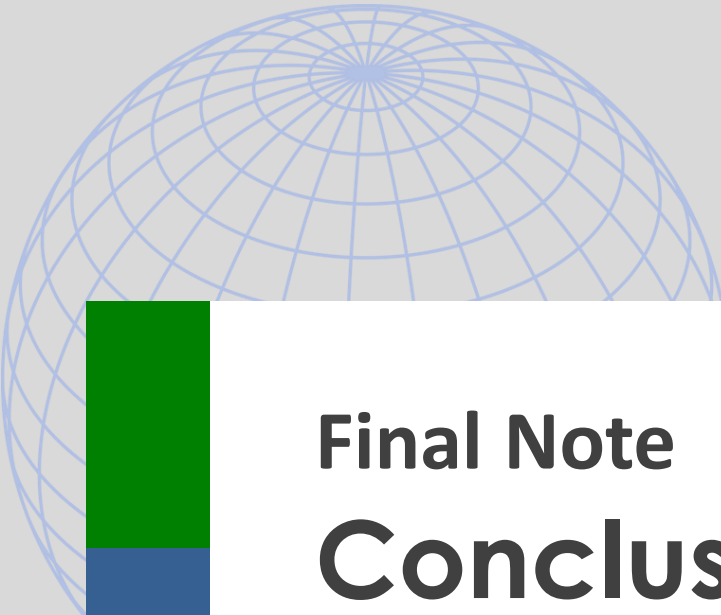

# **Exchange**



*Tying in FX rates and speculating about the direction of currencies is not the starting point for property investment and can backfire. Keep it simple.*

A lot of people consider the above when considering where to invest. The recent surge in Hong Kong investment in Japan has been fueled by the weakening of the Yen.

However, as much as possible this should be disregarded. Try to match any the currency of any loans against an overseas property with the currency of that jurisdiction, but apart from that ignore it! The investment should stand on its own two feet and foreign currency speculation should pay no part in that decision.

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# **Final Note**

# **Conclusion**



Treat Investment property like any other investment. It is easy to become attached to property, imagining yourself living there, but try to disregard this. Take professional advice and go through the projected returns, not forgetting to put a price on any time you will spend managing it.

It is a valuable diversification only if the risks and returns stack up. Contact me [Neil@justservicehk.com](mailto:Neil@justservicehk.com) if you want to discuss any of the above or have any questions about property, tax, retirement and more. I am always happy to think through your ideas with you.



*The risks and benefits of property investment have to stack up or else investment does not make sense. Make sure you know exactly what goes into each side of the scale.*