

Bahamas Real Estate Ownership Q & A



Can a non-Bahamian purchase property in The Bahamas?

Yes. The International Persons Landholding Act of 1993 provides for the sale of real property in The Bahamas to non-Bahamians.

Are there any special permits required when purchasing property in The Bahamas?

Permits are required for non-Bahamians, as provided under the International Persons Landholding Act, if one or more of the following applies:

1. The property being purchased is greater than 5 acres.
2. The intention is to rent out any or all of the property.
3. The property being purchased is for commercial development.

Non-Bahamians who buy land for which a permit is not required must register their purchase with the Foreign Investment Board under this Act.

How do I get a permit or register my purchase with the Foreign Investment Board?

We can help you with this as part of your purchase from us. Non-Bahamians should also register their investment with the Exchange Control at the Central Bank of The Bahamas to ensure that on resale they will be able to negotiate the proceeds in the currency of their original investment if they so choose.

In what form is title to property given?

The vast majority of property is sold Freehold. There are a few exceptions which are leasehold properties. These properties are generally Crown Lands (Government owned) properties that are leased for agricultural or development purposes. The Government of The Bahamas does not generally sell its property. The property being sold on Rum Cay through Paradise Is Mine is sold Freehold.

What are the closing procedures in The Bahamas and how is the purchaser protected?

- Step 1** The purchaser's funds are escrowed with a licensed United States attorney after a Purchase Contract is executed. The purchaser wires the funds into the attorney's trust account as specified within the contract.
- Step 2** The United States based attorney coordinates with a Bahamian attorney who closes the transaction in accordance with Bahamian law. The Bahamian attorney issues an Opinion Of Title which is insured by Lloyds of London Insurance policy ensuring the title up to \$1,000,000 US (One Million US Dollars).
- Step 3** The Bahamian closing attorney will obtain a Bahamian Government stamp, pay the required applicable Stamp Tax, as required by Bahamian law & will record to purchaser's deed and



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complete the closing. The funds for the Stamp Tax will be withdrawn from the attorney's trust account to pay this tax. The Bahamian attorney will then return the deed to the purchaser through the attorney in the United States. This process generally takes one month to complete.

How is purchasing real estate in The Bahamas different than in the United States?

The Bahamas is a commonwealth country with similar laws to England, Australia, Canada and other members of the British Commonwealth. In The Bahamas it is commonplace for the attorney closing real estate transactions to provide the purchaser with an opinion of title guaranteeing them good and marketable title. This is provided in lieu of title insurance. The closing attorneys perform the title searches themselves and indemnify purchasers against title claims through the Errors and Omissions component of their liability insurance policies. Bahamian law requires all practicing attorneys to maintain liability insurance in order to practice law in The Bahamas.

Purchasers are protected up to \$1,000,000 US (One Million US Dollars) in the unlikely event of any title issues. This is, for the most part, the significant difference that US purchasers encounter when they purchase Bahamian real estate. The majority of foreign buyers, ones from outside the United States, are familiar with this procedure as it is usual and customary many places throughout the world.

Do I need to engage the services of a Bahamian attorney when purchasing property?

It is not mandatory but we can provide a list of Bahamian attorneys to help you with this process. The Bahamian attorney, apart from insuring that the legal documentation is properly prepared, provides an Opinion of Title indemnifying the purchaser against any title defects. Lawyers in The Bahamas are legally required to carry Errors and Omissions insurance which further protects purchasers from an unlikely oversight.

Do I need any special approvals in order to build on a property or to make any changes to an existing structure?

Yes. You will need to obtain approval from the Town Planning Board and a building permit issued by the Ministry of Works. A local architect or engineer can assist you with this process which is very similar to the steps required within the United States, Europe and many places in South America. We can provide approved building professionals who can assist with this process.

What are the costs involved in buying or selling property?

A typical sale, which is called a "Gross Sale", assumes that the Seller will be responsible for the payment of:

1. The real estate agents commission (if an agent is involved). The commission on the sale of residential developed property is generally 6% of the gross sales price. The commission on the sale of undeveloped property is generally 10%.
2. The seller's legal fees.



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The Purchaser will be responsible for:

1. The lawyer's Opinion Of Title to the property.
2. The Government Stamp Duty (Tax on the conveyance of real property). This is a graduated Tax. The total amount of the Tax is calculated as follows:
 - When the value of the consideration is less than \$20,000, the rate is 2%
 - When the value of the consideration is equal to or greater than \$20,000 and is less than \$50,000, the rate is 4%
 - When the value of the consideration is equal to or greater than \$50,000 and is less than \$100,000, the rate is 6%
 - When the value of the consideration is equal to or greater than \$100,000 and is less than \$250,000, the rate is 8%
 - When the value of the consideration is equal to or greater than \$250,000, the rate is 10%
3. Recording fees (\$3.50 per page) on the conveyance and other recordable closing documents.
4. Payment of the permit under the International Persons Landholding Act if applicable. In the event that the sale is a "Net Sale" the purchaser would be responsible for payment of all of the above-mentioned fees.

What information is required from non Bahamians when purchasing property in The Bahamas?

1. Full names and addresses, telephone/fax numbers of person(s) taking title.
2. If more than one-person taking title please indicate how they wish to take title, namely:
 - (a) as joint tenants - right of survivorship (e.g. husband and wife)
 - (b) as tenants in common - no right of survivorship (e.g. partners)
 - (c) in a company - see item # 7 below.
3. Date(s) and place(s) of birth of person(s) taking title.
4. Present occupation(s) and nationality of person(s) taking title.
5. List/description of other real property (if any) in Bahamas owned by person(s) taking title.
6. Immigration status (if any) in Bahamas of person(s) taking title (e.g. holder of permanent residence certificate or holder of work permit).
7. If title to be taken in name of a corporation:

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- (a) has corporation already been established? If yes, you must provide the address of Registered Office and name of contact person (yes/no).
- (b) if company has not yet been incorporated you must indicate which law firm is to incorporate it? Provide the following additional information:
- (i) Three alternative names of company. This is necessary because a particular name may have already been taken.
 - (ii) Same information as required in 1) 3) 4) 5) and 6) above in respect of person(s) to own shares in company.
 - (iii) Percentage of shares in company to be held by each shareholder.
 - (iv) Names, addresses and occupations of at least two persons who are to serve as directors and officers of the company (Note: may be same as persons in # 1 above).

NOTE: Entities incorporated outside of The Bahamas will have to be registered as a Foreign Company under the Companies Act 1992 (approximate cost \$1,500).

8. Purpose for which property being purchased is either (a) or (b).
- (a) If intended use is exclusively as personal residence, then no permit is required from the Investment Board under the provisions of The International Persons Landholding Act 1993. The purchase is then registered with the Investment Board by obtaining a Certificate of Registration after completion.
- (b) If intended use is other than exclusive place of residence in Bahamas or in addition thereto (e.g. rental) then approval for a Permit is required from the Investments Board before the transaction can complete. The time it takes to obtain such a permit from date of application is between two to six weeks.

NOTE: A Permit will also be required where – (i) more than one person taking title and such persons are not immediately related to each other (e.g. husband, wife, or child) regardless of whether intended use is for place of residence by all of such persons. (ii) Other real property in the same vicinity/area is already owned and used as place of residence.

9. If an Agreement for Sale and Purchase has not yet been prepared and executed please provide the following information:
- (a) Names, addresses, telephone/fax number(s) of seller(s).
 - (b) Name, address, telephone/fax number(s) of seller(s) attorneys).
 - (c) Brief description and location of property being purchased.



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- (d) Agreed purchase price and currency. Also indicate whether it is net or gross (e.g. net purchaser pays all closing costs). In the event that there is a house, and the property and the contents are also being purchased, indicate the amount being paid for land and house/condo and amount being paid for contents. Also indicate if an inventory is required.
- (e) Agreed amount of deposit and who is holding escrowed funds (Note: usually sellers' attorney or Real Estate Agent).
- (f) Purchase price must be specified as net or gross and which party is to be paid
- (i) legal fee(s) (e.g. purchaser/seller/split)
- (ii) stamp duty (e.g. purchaser/seller/split)

After I purchase a property will I be able to repatriate the proceeds of sale whenever I sell it?

Yes. You will be able to repatriate the entire proceeds including any profits provided you register the purchase with the Exchange Control Department of the Central Bank at the time of purchase.

Are there good qualified architects, contractors and engineers available in the islands?

Yes. Most if not all architects in The Bahamas were schooled either in the United States, Canada or the United Kingdom and have international accreditations. There is a local licensing Board for architects. The construction industry is also regulated, but the qualifications for licensing are not nearly as rigorous. Civil Engineers, Mechanical Engineers, Electrical Engineers and Architects have completed their higher education in other countries and hold international accreditations and must be licensed by their respective local Boards. We can provide you with contractors that we work with as part of this process.

May I use the services of a non-resident architect?

Yes, but that architect cannot work in The Bahamas without a permit to do so. All building plans submitted to the Town Planning Board and the Ministry of Works must be signed off by a local licensed architect and local engineers. As in any jurisdiction there are local customs and procedures required in getting the job done and it is recommended that you utilize the services of the local professionals.

Are Brokers and sales agents in The Bahamas licensed?

Yes. Brokers and sales agents are licensed by The Bahamas Real Estate Association (BREA). Qualifications for licensing include sitting for a written exam. BREA is an international member of The National Association of Realtors (NAR) and many BREA members are International Members of NAR and hold various accreditations offered by NAR including GRI, CRS, CRB, CIPS and CCIM. A few members are also members of the



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International Federation (FIABCI). The public is urged to ask and only use the services of a BRE member.

What is the cost of construction?

Construction costs in The Bahamas, as you might imagine, vary widely depending on the location of the construction site, the design of the building, the materials used and the finishes. In general a modest home will cost between \$120.00 to \$150.00 per square foot. An average home will cost from \$150.00 to \$200.00 per square foot, but not with top of the line finishes such as marble tile and granite or Corian countertops. A better than average home with good finishes will cost from \$200.00 to \$400.00 per square foot. For a luxury home the cost would be more on the order of \$400.00+ per square foot for the finest finishes and details. On average, you can count on the cost being approximately 40% higher than a similar home in South Florida. This is mainly due to freight, duty and delivery cost to the site which represents approximately 65% of the F.O.B. material cost. It should also be pointed out that building standards are higher in The Bahamas than in South Florida. The majority of homes are built to meet a very strict building code.

Is there local financing available to non-Bahamians and/or permanent residents?

Yes, but the loan facility may only be given in US Dollars at international rates and the down payment required is generally on the order of 40% of value.

What personal taxes are there in The Bahamas?

There is no personal income tax, capital gains tax or inheritance tax. There is no sales tax with the exception of the Stamp Duty paid on the conveyance of real property.

The Bahamas Government's main source of revenue is from customs duties on all goods imported into The Bahamas. This tax may be as low as 7% as in the case of raw lumber or computer software. Duties are as high as 75% in the case of luxury automobiles, 160% on raw tobacco and 210% on cigarettes. There is an additional 7% stamp duty payable on these goods. The typical rate of duty is around 35%. There is property stamp tax but only when you first acquire property.

Is it possible to establish residency in The Bahamas and if so how does one go about it?

Yes. The Government of The Bahamas has set specific guidelines that allow non-Bahamians to establish permanent residency in The Bahamas. There are two categories of permanent residency: Permanent residency with the right to work and permanent residency without the right to work. One of the criteria for permanent residency is the investment of a minimum of \$500,000 in The Bahamas. This investment may take the form of the purchase of real property with a minimum value of \$500,000. Non-Bahamians who own property in The Bahamas may apply to the Director of Immigration for an annual homeowner's residence card. This card is renewable annually and entitles the owner, spouse and any minor child/children endorsed on the card to enter and remain in The Bahamas for the validity of the card. It is intended to facilitate entry into The Bahamas with minimal formalities.



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What are the advantages to establishing permanent residency in The Bahamas?

Apart from the opportunity to live and work in a warm and pleasant environment there are also significant tax advantages for citizens of countries with high personal and corporate income taxes as well as inheritance taxes. The advantages vary depending on the citizenship of the applicant and the tax laws of the applicant's home country.

Is it possible to obtain Bahamian citizenship?

Yes. It is possible, but it is a long and involved process. When obtaining citizenship, favour is typically given to long term permanent residents and spouses of Bahamians.

Is it possible to live and work in The Bahamas?

Yes. The total population of The Bahamas is less than 300,000 with a total land area of 10,000 square miles spread over 700 islands. The policy of The Bahamas Government is to protect the well being and provide maximum employment opportunities for Bahamians. In order to obtain a work permit in The Bahamas an employer must demonstrate that there is not a Bahamian ready willing or able to fill the position.

Purchasing property is easy for foreign nationals. We can assist you with the details of this process as you purchase your corner of paradise on Rum Cay. If you have ever owned land in The Bahamas it is easy. If you have not it is just as easy.

International Owner of Second Homes

Overseas Investors may acquire residential properties in The Bahamas of up to 5 acres without prior government approval. Such acquisitions are required to be registered in accordance with the International Persons Landholding Act. Second Home Owners are eligible for a Home Owners Residence Card, renewable annually. This card will facilitate entry into The Bahamas and entitle the owner, his spouse and minor children to enter and remain in The Bahamas for the duration of the validity of the card. Application may be made to the Director of Immigration.

Annual or Permanent Residence

Accelerated consideration of applications for annual or permanent residence will be given to major international investors and fit and proper owners of residence valued at \$500,000 or more.

Information required from non-Bahamian purchasers of real estate in The Bahamas.

1. Full names and addresses, telephone/fax numbers of person(s) who will have title to the property if the purchaser is not a company.
2. If more than one-person will be on title please indicate how the property will be titled such as

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- a. as joint tenants - right of survivorship such as husband and wife
 - b. as tenants in common - no right of survivorship such as partners
 - c. in the name of a company. Please see item #7) below
3. Dates and places of birth of any person or persons who will be on title if the title is not in a companies name.
 4. Present occupation and nationality of person taking title if any. If a company is purchasing the land then this information is not necessary.
 5. List and description of any other real estate you own in Bahamas owned by person on title.
 6. Immigration status in Bahamas of person on title such as permanent Bahamian residence certificate or holder of a Bahamian work permit if any.
 7. If title to be taken in name of company:
 - a. Has company already been incorporated? If so who is the Registered Office and name and contact details of the contact person.
 - b. If company has not yet been incorporated we can help you with that as well.
 8. Purpose for which property being purchased.
 - a. If intended use of the property is exclusively as personal place of residence in Bahamas no permit is required from the Investments Board under the provisions of The International Persons Landholding Act 1993 and the purchase is simply registered with the Investments Board by obtaining a Certificate of Registration after completion.
 - b. If the intended use is other than exclusive place of residence in Bahamas such as a rental property then approval for a Permit is required from the Investments Board before the transaction can complete.
 9. A standard purchase and sale contract similar to ones found within the United States and Europe are utilized and must be provided as part of this process.
 10. If you desire to purchase more than 5 acres in The Bahamas a special permit is required. This takes a little more time and is relatively easy to obtain.

Miscellaneous dynamics of purchasing properties include:

Companies incorporated outside of The Bahamas will have to be registered as a Foreign Company under the Companies Act 1992 (approximate cost \$1,500).

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The time required to obtain a permit to rent your property is between two to six weeks.

Permits will also be required where – when more than one person taking title is not immediately related to each other such as a husband wife child. This is regardless of whether intended use is for personal place of residence by all of such persons. However, such permits are easy to obtain and are just a formality.

Permits are also required if you own other real estate in the same vicinity/area which is used as personal place of residence. Once again this is just a formality and is easy to obtain.

The process is very simple for individual owners and corporate owners alike

