

Securing permanent residence

SPECIAL REPORT: PROPERTY MATTERS

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Overseas buyers of Mauritian homes, sold for US\$500,000 or more, will gain permanent residency on the island. Investors can only buy these properties at Integrated Resort Schemes (IRS) which are holiday home communities dotted round the island's coastline.

Permanent residency brings several advantages including tax. Income tax is levied at a flat rate of 15 per cent on their worldwide income. Expenses, losses and debts can be offset against this. Depending on the taxpayer's circumstances a certain amount of income is tax-free. There is no capital gains tax or inheritance tax.

On the downside, IRS homebuyers must pay a US\$70,000 purchase tax.

Alternatively, overseas investors can buy less expensive homes at Real Estate Schemes (RES) where prices start at about US\$300,000. However, they will not gain permanent residency by investing in these projects. Investors in new RES units must pay US\$25,000 registration duty. Buyers of resale RES homes pay this charge plus a 5 per cent land transfer tax.

In a separate government initiative, retired foreigners can live in Mauritius provided they deposit a minimum of US\$40,000 into a local bank account each year. These retirees can buy IRS and RES properties.

The Permanent Residence Scheme (PRS) awards permanent residence to foreigners who invest US\$500,000 or more to start a business. These overseas businessmen are allowed to buy a home on the island. Foreigners with sought-after professional skills can gain permanent residency under another scheme and buy property.

Robert Green, director of Cluttons estate agent, said the IRS and RES rental markets were untested, so rental returns were impossible to calculate. The developers of Villas Valriche estimate 8 per cent yields are possible at their IRS project. According to the Global Property Guide, rental yields are 6.17 per cent in the general housing market.

IRS and RES home owners, who let their properties through the development's management company, must pay it a letting fee of about 20 per cent of the rent. Rental income is taxable.

More than 60 per cent of Mauritians are of Indian origin, 25 per cent Creole, 3 per cent Chinese (mainly Hakka) and 2 per cent Europeans. English is the official language.