

=====  
"Discounted Property and Guaranteed Rents in France and Spain"  
=====

Would you like to buy a largely self-financing property in France and then receive a nice fat thank-you discount from the French government? Of course you would! Here's how to do it ...

Buying the freehold of a new or totally rebuilt property in a "classified tourist" (see below for definition) residence in La Belle France, and immediately leasing it back to the developer qualifies you for the scheme - called, with stunning accuracy, Leaseback!

\*\*\*DISCOUNT\*\*\*

You have to go through the developer's onsite management company (which becomes your 'head tenant') and sign up for a fixed period of between 9 to 11 years but that's a small price to pay to net a whopping discount. Read on, you'll be amazed to learn just how big it is!

The company - the head tenant - then sub-lets the property to tourists throughout the year.

This simple act will enable you to receive a huge discount off the purchase price by virtue of the fact that you will pay no TVA (the French version of VAT).

\*\*\*FEES\*\*\*

For example, if a leaseback property costs #100,000 you would only pay around #80,000 after deducting TVA, currently 19.6%. Of course, don't forget that you would have to add French legal fees of about 3% of the net purchase price.

But even that would only take your total investment to about #82,500.

If you need it, a mortgage of up to #76,000 (95% of the actual purchase price) can be obtained. To repay this over a 20-year term would cost around #450 per month if - for the sake of argument - if you secured an interest rate of around 4%, a figure eminently achievable.

\*\*\*INCOME\*\*\*

But those payments would be covered by a guaranteed, index-linked income - from the head tenant - of about #4,000 each year.

Therefore, for a relatively small capital outlay you could put together an exciting investment portfolio just across the channel.

Leaseback properties are currently available in many parts of

France, including prime locations in Paris, Normandy, Brittany, the Alps, the Cote d'Azur and Charente.

www.Property-Abroad-PRO.co.uk is checking out some of these developments and with any luck we'll be able to offer further pointers next month.

But, in the meantime, if you research them yourselves remember: Do not however sign anything until you have taken reliable independent legal advice, including having the original wording of your lease (not an English-language translation which could be wrong), run over with a fine-tooth comb.

Your legal advisor should ensure that

- o You also get a guaranteed fixed rental income paid net of French income tax and TVA.
- o You can occupy the property yourself free of charge for some of the year (usually for one to 6 weeks each year spread across the seasons)
- o You can rent any extra time you wish to occupy the property back from your head tenant or allow others to occupy the property in your place
- o You can waive your period of occupation, in which case from your head tenant should pay you extra rent.
- o Your property will be returned to you in good condition when the lease expires.
- o When the lease expires the property is yours to do as you please.

You should also remember that though you must usually pay taxe fonciere (see French Property Secrets for explanation of taxes), throughout the term of the lease your head tenant is responsible for all rates (except water, electricity and service charges) and the costs of insurance, maintenance, repairs and (if it belongs to you) furniture replacement.

\*\*\*REPAY\*\*\*

If you terminate the lease and retain the property for your own use before the 9 years is up you must repay the TVA on a pro-rata basis.

Leaseback owners in developments which lose their tourism classification may also have to pay back some or all of the TVA they avoided on purchase.

For more information about rent guarantees and leaseback schemes see section 9 of your copy of [www.French-Property-Secrets.co.uk](http://www.French-Property-Secrets.co.uk)

\*\*\* Leasebacks in Spain? \*\*\*

Leaseback schemes are also becoming more popular in Spain - but, as the equivalent sales tax on new property is 'just' 7%, the financial benefit is smaller, but nevertheless still

significant. See section 8 of your copy of [www.Spanish-Property-Secrets.co.uk](http://www.Spanish-Property-Secrets.co.uk).

Copyright Property Secrets 2003

Used with permission on LandlordZONE 2003

Go to: <http://www.landlordzone.co.uk/JoJaffa.htm>

And: <http://www.landlordzone.co.uk/Property%20Abroad.htm>