

Blue Coral – Philippines

Details

Capital gains tax:- Capital gains tax as we know it does not exist in Philippines, instead a tax of 6% of the sale value is charged.

Purchase tax:- for individuals purchasing property a purchase tax or stamp duty is charged at 5% of the property value, this will be covered by the developer for blue coral. For property purchased under a company name, this tax increase to 7% of which 5% will be covered by the developer

Resales:- The property on Blue Coral can be sold at any time before or after completion. For sales prior to completion a 5% admin fee will be charged to cover the contract changes and general administration associated with the sale. Commission levels can be set by the selling agent involved. For sales after completion vat is charged at 10% and legal fees of .05-1.5%.

Ownership laws:- Philippine law allows foreign nationals to fully own any property that carries a Condominium title.

Definition of a condominium title

“A **condominium**, or **condo**, is a form of [housing tenure](#) and other [real property](#) where a specified part of a piece of real estate (usually of an apartment house) is individually owned while use of and access to common facilities in the piece such as hallways, heating system, elevators, exterior areas is executed under legal rights associated with the individual ownership and controlled by the association of owners that jointly represent ownership of the whole piece.

Technically, a condominium is a collection of individual home units along with the land upon which they sit. Individual home ownership within a condominium is construed as ownership of only the air space confining the boundaries of the home (*Anglo-Saxon law systems; different elsewhere*). The boundaries of that space are specified by a legal document known as a Declaration, filed of record with the local governing authority. Typically these boundaries will include the drywall surrounding a room, allowing the homeowner to make some interior modifications without impacting the common area. Anything outside this boundary is held in an undivided ownership interest by a corporation established at the time of the condominium’s creation. The corporation holds this property in trust on behalf of the homeowners as a group—it may not have ownership itself.”

Rental Guarantee:- The rental guarantee for Blue Coral is offered by the developer and clearly defined in the legally binding Sales and Purchase contract for the property. The returns are supported by a signed agreement with a Korean travel company called Orient spirit, who has guaranteed 80% occupancy of the hotel for an initial 5 year period.

Developer:- Trans Pacific Philippines, is a well established, well connected developer in the Philippines with two completed projects in Boracay (Boracay Beach Condo Hotel & The Agrias Suites)

<http://transpacificuk.com/philippines/>

Builder:- Blue Coral Resort will be built by ACT ajanlangit Construction.

ACT have previously worked on the stunning Two Seasons resort, both of Trans Pacific previous projects. ACT have also secured the government contract for the construction of the Carabao Airport.

<http://www.actajanlangit-construction.com>

Hotel Company:- Blue Coral resort will be run as a 5 star resort hotel, with Continent Hotels and resorts providing the day to day management of the property.

Continent Hotels successfully manage over 60 hotels around the globe under a number of different brands.

<http://www.continenthotels.com>

Finance:- Build finance for the project has been provided by private investment which is guaranteed in turn guaranteed via a government bond supplied by PhilEXIM (Trade and Investment Development Corporation of the Philippines) this bond ensures that the funds are in place and secure for the full construction of the project, regardless of the developers financial situation.

End Finance or Mortgages are being facilitated by a major Philippines bank, with the funds supplied by private equity. This allows us to offer non-status loads to any buyer over the age of 21.

Mortgage questions

- How is it paid, i.e. taken by developer from hotel guarantee direct, monthly, quarterly, annually or paid to client then to developer..... **The mortgage is paid monthly and can be taken directly from the rent before the income is paid to the client,**
- Is it from a bank or the Developer?? – **The funds have been put up by a private investor, but is facilitated via a Philippine bank.**
- Are there any redemption. Example, If you want to sell in 6 years and it's a 20 year mortgage are there any costs associated for settling early. – **No the mortgage can be paid off at anytime.**
- What is the length of term of the mortgage at 10% - **15 years is the max mortgage term.**
- Are there any costs associated with the mortgage i.e., interest on 60% drawdown. – **This is end finance so no drawdown, also the set-up fees are covered by the developer.**
- What is the mortgage set up costs – **Zero for the buyers, this is covered by the developer.**
- What documents are needed to prove income, how strict – **Proof of ID is required plus bank statement and wage slip/P60**

Legal

- Any costs associated with the mortgage, i.e. developer appointing solicitor to send out paperwork etc – **Manchester based lawyers Birchall and Blackburn will be handling the contracts, costs will confirmed soon. <http://www.birchallblackburn.co.uk>**
- Are there any legal costs involved in the purchase and completion and if so what are they? – **Legal fees for the villas are covered by the developer, Condo £1000 - £1500.**
- What are the full closing costs of the purchase – **Only the legal fees, however we would advise clients to have 2 months mortgage payments ready to cover any soft opening required by the hotel operator.**
- Is it in English Law – **The contracts are in English and in accordance to Philippine law.**

Taxes and general questions

- Capital Gains tax are there any? – **no capital gains tax but a transfer tax of 6% is charged**
- Can it be put in a SIPP – **Yes**
- Is there a rental tax, if so how much is it, how is it deducted or paid are there ways to offset costs associated against it. – **We have been advised by the developer that as the hotel operator is paying tax on the room rate at point of sale, no taxes are due for the owners.**
- Inheritance Tax? – **Between 5% - 20% depending on property value**

Up to 200,000 (US\$4,469)	nil
200,000 - 500,000 (US\$11,172)	5% on band over US\$4,469
500,000 - 2 million (US\$44,687)	8% on band over US\$11,172
2 million - 5 million (US\$111,717)	11% on band over US\$44,687
5 million - P10 million (US\$223,434)	15% on band over US\$111,717
Over 10 million (US\$223,434)	20% on band over US\$223,434

- Any other tax or VAT associated with buying or selling the property. – **Vat on resales would be at 12%, this is normally covered by the purchaser.**
- No issues with repatriating profits back to UK or elsewhere? - **None**
- Any problems with buying through a company either UK or offshore – **No problems but does incur a 2% tax for the purchaser.**
- Are all the properties freehold and 100% titled to the owner (not like it is in Thailand)
- Is it lease hold or free hold – **Sold with Condo title explained above.**
- Are the properties going to come furnished and to what standard – **Fully furnished to a five star standard.**

- Getting there what's the best way and how do you get there. – Depending where you are flying from you can fly direct to Cebu or stop off in either Manila, Singapore, Hong Kong or many other Asian countries
- Who is the hotel chain, is it 5 Star – Continent Hotels, five Star
- Is all land docs, build licences in place - Yes
- Re selling policy, off plan and also after completion – At anytime
- Tourist stats for the Island, and occupancy of other hotels would be good – From Philippine department of tourism for 2004 - 1,012,137 visitors and an average occupancy level of 69.98% for the Cebu region- Tourism figures have continued to grow on average by 8% per annum.
- How many weeks a year personal usage? – Occupancy is guaranteed at 80% therefore the remaining 20% is available for use, with a small charge for cleaning etc during the stay. However this will remove the unit from use for "Walk in" business which can increase the rental return.
- Building insurances – covered as part of the monthly costs.

Guaranteed Returns

- What is the nett income (before taxes if any) to the client, i.e. If 18% guaranteed on a 59,000 unit equates to 10,620 return, what extra costs are there? – Mortgage repayments.
- Rental income tax?? – We have been advised that the room rates are taxed as part of the hotels running costs; it is not therefore taxed again for the owner.
- What is the second year returns at and is it guaranteed for another 5 years – The guarantee is a rolling 5 years agreement with an option to renew for a further 5 years. The hotel management company is contracted for 15 years to offer resort management.
- What happens after 5 years – The agreement becomes a rolling contract at the same terms.
- Management Fees (swimming pools, grounds, etc) – Figures for each unit type is displayed on the investment breakdown spreadsheet.