YOUR ESSENTIAL BUYING GUIDE FOR REALESTATE IN VANUATU

Ray White

WELCOME HOME

FAQ on buying Realestate in Vanuatu

HERE ARE SOME FREQUENTLY ASKED QUESTIONS ABOUT BUYING REAL ESTATE IN VANUATU:

1. Can foreigners buy property in Vanuatu?

Yes.

There are no restrictions on foreigners buying property. A non-citizen may be required to provide a 'financial reference' and a 'professional reference' from a local firm, for urban purchases, but that is the only distinction between citizen and non-citizen buyers. You do not need a Vanuatu Investment Promotion Authority (VIPA) Investor's Certificate or a business license to buy property in Vanuatu.

If your purchase also requires a business license (for example, when you buy an existing business), you would need VIPA approval and a business license in your name or a local company name.

2. Is there any freehold land in Vanuatu?

No.

If a property is registered, it is registered as a leasehold title. The urban areas of Port Vila and Luganville on Santo Island were declared 'public' land in 1980 under the Land Reform Act (Cap 123). The Minister of Lands is the Lessor in the urban areas and in many rural leases where the customary ownership is not yet established.

3. Do I have to live here to own property?

No.

There is no requirement for property owners or holders of Vanuatu residency permits to reside in Vanuatu.

FAQ'S

4. What are the typical steps in buying property in Vanuatu?

- Sign a Sale and Purchase Agreement & pay the deposit (usually 10%) into your agent's or solicitor's trust account
- Purchaser proceeds to meet many conditions in the contract, if any
- Vendor then applies for Lessors Consent to Transfer or arranges for a share transfer.
- Pre-settlement inspection of the property or last-minute title search is carried out by the purchaser's side if desired.
- Settlement takes place. Documents usually handed over to the purchaser include:
- Three original Transfer of Lease deeds already executed by Vendors, Copy of Registered Title, Settlement Statement, current Property Tax receipt, current Land Rent receipt, Tenancy Agreement (if applicable), Company Documentation (if applicable)

YOU ARE NOW THE REGISTERED OWNER (LESSEE) OF YOUR VANUATU PROPERTY.

5. What is the maximum term of a leasehold title?

The Constitution states that the maximum term of a lease is 75 years. Many leases are 50 years from their creation or from Independence on 30 July 1980, but nearly all new leases are registered for 75 years, including strata title leaseholds.

6. When you buy a lease, is it renewed at the time of purchase or did you buy the term remaining?

When you buy an existing lease, you purchase the remaining lease term, not a new 50 or 75 year period.

7. What happens at the end of the lease?

In 2003 Parliament passed a law (the Land Lease (Amendment) Act No. 24 of 2003) enabling any urban lessee to surrender their existing lease title and either extend a lease that is currently less than Seventy-five years up to 75 years or, where a lease is already for a period of 75 years, renew the lease for a total period of 75 years from the date of renewal, upon payment of the requisite premium and administrative fees.

8. Is there any way to extend a lease when you buy or at any other time in either the urban or rural area?

Yes. Lessees may surrender their lease either to subdivide land, re-zone (i.e., residential to Commercial, agricultural to tourism, etc.) or to extend the term. (see Question 7 above). 'Premium' payments and revised annual lease rents are likely to apply, negotiated between Lessor and Lessee.

9. Is it possible to buy apartments or shops on their Strata title?
The Vanuatu Parliament passed the Strata Title Act in 2000 and recently approved the Strata Title regulations. This means it is now possible to title existing buildings and create strata titles for a new apartment and commercial buildings.

10. Do commercial banks accept leasehold titles as security for loans?
Yes. Mortgages and 'Cautions' are registered on the leasehold titles as they would be on freehold and leasehold titles in other countries.

Banks typically require 20% for residential loans and up to 50% for commercial loans of the loan amount from the borrower.

11. How long does it take to complete a transaction?
Generally, it takes from 1 - 3 months. This varies depending on conditions that may be part of a particular transaction. Any transfer of a property title requires the Lessors 'Consent to Transfer'.

HERE ARE SOME FREQUENTLY ASKED QUESTIONS ABOUT BUYING REAL ESTATE IN VANUATU:

12. What are the average buyer's costs?

- 2% Stamp Duty
- 5% Title Transfer Registration

If the buyer is purchasing an existing company, the Stamp Duty is 4% on the Share Transfer Value, and because the shares in the lessee company are transferred, not the title itself, there is no 2% Stamp Duty fee. Legal costs are usually between 0.5% and - 1.% of the purchase price.

13. Has there been capital gain? If so, how much and where?

Residential property and vacant land capital gain have been best in prime areas such as the harbor front. Lagoon front areas with good water and sunset views and commercial property along the main street CBD of Port Vila have also seen steady increases in market value. In some places, 5 – 10% / year has occurred, while in other prime areas, less than 5% / year.

14. Is it easy to rent out the property?

Suitable property typically rents well. Many aid organisations and private foreign companies prefer to rent for 1 - 3 year contracts rather than buy. Typically, an ideal family home would rent for AUD 1,200 to AUD 2,000 per month, sometimes higher.

15. Is it possible to find suitable property management?

Yes. Our company has been doing property management of houses and commercial buildings for 7 years. This usually costs a maximum of 7% of gross income plus VAT.

16. Are there qualified builders in Vanuatu?
There are several companies in Port Vila with qualified builders. As in any other country, it is important to select a builder carefully and to see other jobs they have done.

17. If I want to build my own house, do I need any permissions or approvals, or do I need a business license?
No. Not to do the building for yourself on your land title. You will still need to obtain your planning permission and building permit, and you will need to register as an employer with the VNPF (the Vanuatu National Provident Fund) if you hire any workers.

18. What does it cost to build a good house in Vanuatu?
Naturally, this varies from builder to builder, but a reasonably good guide is about AUD 1,300 - 1,800 (approximately VT 130,000 – 180,000) per m2. Where more luxurious fixtures and fittings are used, this price will be higher.

19. What is the usual deposit when exchanging contracts?
10% percent is the standard contract deposit when a sale agreement is exchanged between a buyer and seller. Deposits are held in trust till settlement, usually by the vendor's agent or solicitor.

20. Do I need to use a lawyer for conveyancing?
The law does not oblige purchasers to use a solicitor. Still, it is wise to seek legal advice and representation for those contemplating buying property or a business, especially if you are entering the Vanuatu market for the first time. Our laws and practices are likely to be different from your own country.

21. Is VAT payable on housing sales?
VAT (currently 15%) is not payable by the purchaser on residential property. VAT is payable by a builder if he sells a house he has built or if a property developer creates a land subdivision for sale.

22. Is VAT payable on all commercial transactions?
As a rule, VAT is payable by the purchaser on the sale of commercial property. He can then claim back the VAT if he is a registered VAT entity. A 'one-off' sale of a commercial property where the seller is not registered for VAT and has not claimed back VAT for expenses on the property may not be subject to VAT. Also, a sale where the vendor has already de-registered from VAT is not subject to VAT. Specific enquiries should be made to the VAT Office or a solicitor or accountant accustomed to dealing with VAT issues.

23. What are the usual outgoings on property in Vanuatu?

- Municipal Property Tax (in the Urban Zones) is paid every six months.
- Annual Lease ('Ground') Rent
- Insurance
- Rent Tax on Residential Rental property (or VAT on commercial). This is 12.5% of gross income.

24. How is a property sold in Vanuatu? (i.e.: Auction; Private Treaty; Tender)

Private Treaty or Tender sells the most property. No auctions occur. Occasionally the 'Expressions of Interest' method is used, especially for a project or subdivision not yet completed but approved, and the developers wish to determine the level of interest in their project.

25. What do I need to do to reclaim land or build a jetty?

To reclaim land on the waterfront boundary of any property, you require:

- Foreshore Development Act approval (Minister of Internal Affairs).
- Negotiator Certificate from the Minister of Lands.
- Lessor's approval if the land is rural or the Minister of Lands is not the Lessor.
- Municipal Planning Permission in the urban areas.
- Provincial Government Planning permission in the rural areas.
- An environmental impact study may be required for a commercial or tourism project.
- A jetty will require the Department of Ports & Marine approval.

26. Can I put a yacht mooring anywhere?

Yacht moorings are marked on a grid pattern within Port Vila Harbour. The Department of Ports & Marine should be consulted about any rules and fees for mooring anywhere else in the country.

27. Can sale agreements be done in any currency or only in Vatu?

Private parties can agree to a sale in any currency acceptable to both sides. There are no restrictions on sending foreign currency into or out of Vanuatu.

28. What happens if someone tries to sell me land in a rural area that has no registered title over it?

Any land area with no registered title cannot be sold because there is nothing legally existing to sell. The majority of land in Vanuatu is unregistered or indigenous land, and the legal 'customary' owner(s) has not been established in many areas. A leasehold title must be registered before a transfer (sale) occurs. An undisputed Lessor is necessary to create and register a lease. We strongly advise all potential investors not to enter into any agreement or pay any money to anyone in such circumstances without first seeking legal or professional advice.

29. What do I need to ensure my property?

Insurance will cost about 0.5% to 0.7% of insured value. You will need an engineer's certificate to obtain cyclone insurance. Other perils such as fire, earthquake, theft, burglary, etc., are also covered in standard policies. Public liability, workers' compensation, loss of rental income and so on are also available. Contact the local brokers and insurance companies for further details.

30. Are there any restrictions if I am a foreigner and want to sell my property in Vanuatu?

There are no restrictions. If a vendor is up to date with his outgoings to the local authorities and lease rent to the Lessor, he will be able to obtain the Lessor's Consent to Transfer the title. Encumbrances such as a Mortgage are discharged at settlement, as typically happens in other countries.

31. What are the vendors' costs in a sale transaction?

The vendor has no costs except agents' commission and legal fees if a solicitor is used. There are no fees or taxes on the sale unless VAT is applicable.

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Laws, Government regulations and fees may be subject to change from time to time. It is advisable to seek advice about the current situation from the Government departments concerned or from qualified private companies.

ABOUT SAM

"HI I'M SAM,

I have an extensive background as an entrepreneur in the sales and marketing industry.

I have spent nearly 20 years as an entrepreneur who ran a sizeable multinational company working with Australia, New Zealand and California's top telecommunication, energy and not-for-profit organisations, while gaining valuable experience in sales and marketing"

Sam Lewis

Sam has a deep passion for sales and customer service, and although fairly new to real estate, he has quickly positioned himself as the "go-to" agent in Vanuatu with industry-leading results in his first year.

Sam left city life in Australia in 2017 for the beauty of the island life with his fiancé and two dogs. He now lives in a self-sufficient home and enjoys his free time surfing, and getting into nature while exploring all the great lifestyle activities Vanuatu offers.

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