

Buying Guide

Why Brazil?

Tourism is a new industry in Brazil, increasing by 30 per cent in the last year alone, and the property market is hot on its heels. And, despite being rather new on the international property-buying radar, this South American country seems to be ticking all of the right boxes for investors, holiday homers and retirees alike. A diverse landscape, rich culture, idyllic climate and affordability (the cost of living in Brazil is just 20 per cent of the UK) are just some of the reasons why British buyers have started flocking here – but property prices are the reason they are staying.

Land costs in Brazil are very reasonable, with the prices of larger plots often under valued. In fact, costs of around £5 per square metre have been reported. However, if you are after a plot in a more established development, then you will need to budget around £20,000 for a 1,000-square-metre site. There is also a great deal of new-build property to choose from, should you wish to leave the actual building work to someone else.

Popular buying locations

The popular carnival city of Rio de Janeiro boasts 45 miles of white beaches – including Copacabana – meaning that it is popular for sure-fire tourist lets. Meanwhile, Sao Paulo is the government and financial centre of the country and, at an 11-hour flight from the UK, promises good business lettings.

However the best potential seems to lie in the northern beach resorts. The natural beauty of these areas have been complimented by a range of high-quality developments and inward investment, meaning that capital growth is on the up. But a purchase here isn't all about money – some of the purest water and cleanest air in the continent has been found here, while the city of Natal boasts the highest quality of life (and the lowest crime rate) in the nation.

However it is the resort of Bahia which is attracting the most attention from UK buyers. Glorious beaches and an excellent climate, compliment good value for money – a mix which many purchasers believe will pay dividends in the long run.

Legal issues

Brazil is perhaps one of the few emerging markets that allows foreign buyers to own both land and property in their own names on a 100 per cent freehold basis – making the buying process relatively straightforward. However, before you can buy a property in Brazil, you must obtain a CPF (Cadastro das Pessoas Físicas) number, which can be acquired via the Brazilian embassy in the UK for a small fee (around £10). Once issued, this tax registration number will enable you to open a bank account and apply for utilities, although, perhaps its main aim is to register the amount of capital that you are planning on bringing into Brazil. It also allows you to repatriate your funds should you decide to sell your property.



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If you are buying a home that was built after 1973 it will come with a legal document known as a Matrícula. Similar to title deeds, this document lists a detailed property description, all previous owners, the boundary details, any outstanding debts and all legal, financial and judicial transactions relating to the property.

The buying process

The purchase process in Brazil is relatively simple once you have obtained your CPF number, however it is crucial that you seek the advice of a good, independent lawyer. This is especially true if you are buying a resale home, as checking for clean title can be a complicated and painstaking process.

Once all of the relevant searches have taken place you will need to open a local bank account, as the purchase funds must be visibly traceable from the buyer's bank account into the vendor's. In addition, all monetary transactions will need to be registered as a foreign investment with the bank of Brazil, but this cost should be covered in your legal fees.

You will be required to pay a deposit of around ten per cent when you have had your offer accepted – although this figure can range from five to 20 per cent. The balance is paid on completion, and the entire process is overseen by a notary.

Even though all contracts are processed in both Portuguese and English, it is advisable to hire a translator if your solicitor isn't fluent in both languages.

Finance

Currently it isn't possible to get a Brazilian mortgage, therefore the most common way to raise finance is to remortgage a UK property in order to release equity.

Fees and taxes

In total, fees and taxes come in at around seven per cent of the purchase price. This is broken down into legal fees of two per cent, stamp duty of two to three per cent (depending on the price of the property) and registration fees of two per cent. Estate agents fees of up to six per cent are paid by the vendor.

Once you have obtained your CPF number, you will automatically become liable for income tax if you rent your property out – this operates on a sliding scale of 15 to 27.5 per cent.

When you come to sell your Brazilian home, you will need to pay capital gains tax – again this works on a sliding scale of 15 to 27.5 per cent. This is calculated on the difference between the final selling price and the registered buying price – less any maintenance fees and travel costs. Be aware that the registered buying price is set by City Hall, and therefore may not be a true reflection on what you actually paid. However, if you are planning on reinvesting the profit back into a Brazilian property, then you will generally be exempt from CGT.

Visas, residency and work permits



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If you wish to obtain a permanent residence permit you will need to prove that you have funds in excess of US\$50,000 (£25,000), but even then this visa is only issued on a five-year conditional basis. In order to re-validate your visa you must show the Federal Police how you have invested in, and therefore improved, the local economy. However, if you are planning on employing Brazilian staff, whether in the home or workplace, then this initial investment figure may be reduced.

Meanwhile, if you are thinking of retiring to Brazil then you must be over 50 and receive a monthly pension of over \$2,000 (£1,000) per calendar month. Of course, if you are only planning to stay in Brazil for short periods of time, then a tourist visa will suffice. Tourist visas forbid you from working, and you are only allowed to stay in the country for up to 90 days. You will also need to produce a return ticket on arrival.

New-build versus resale

The new-build versus resale argument in Brazil really boils down to the traditional mantra of location, location, location. If you are after a city abode then a resale property is likely to work well – simply because all of the good plots were snapped up years ago. Serviced apartments are proving popular in the urban areas as buyers – and their tenants – can then benefit from hotel services coupled with the privacy of their own home. If buying in city however, ensure that your property is located in a safe and reputable area.

Meanwhile, new-build homes are far more prevalent on the coast, where two-thirds of the country's population reside. These modern developments complement the existing hotel complexes, and local facilities and amenities, that come hand in hand with beach life – making such a purchase suitable for short-term lets.

If you are willing to look further inland however, you may find building your own home an attractive option, as both land and labour are reasonably priced.

Investment potential

Today Brazil ranks as the 13th largest economy in the world, following a recent boost in GDP. And such growth is set to continue, with the nation's economy predicted to become the fifth biggest on the planet by 2035. Such figures bode well for investors and, when coupled with the fact that rental yields in tourist destinations range from between six and 12 per cent, Brazil looks like a sure bet.

However, many investors are choosing Brazil for potential capital growth. Some areas of North Eastern Brazil, especially around Bahia, are currently attracting as much as 20 per cent annual capital appreciation – and other areas are expected to rise at a healthy rate too.

In addition, investment syndicates are well provided for – as up to ten names are allowed to be registered on the title deeds – meaning that you may be able to get on the Brazilian property ladder for even less than you bargained for.

Health and education

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Brazil's Joint Health System is one of the largest public health networks in the world, however healthcare varies dramatically from region to region. As in any country, most of the cities have enough doctors per head, but once in the rural areas this figure can decrease dramatically. In total, Brazil has over 200,000 physicians and around 16,000 hospitals and medical centres. Despite this, it is recommended that you take out comprehensive medical insurance before travelling. Many Brazilians themselves opt to take out private health insurance, and there are many policies to choose from – including BUPA.

Education is divided into three levels, with several grades in each. The first educational level, known as fundamental education, is free for everyone (including adults), and mandatory for children between the ages of six and 14. Intermediate education is also free, but isn't compulsory. The Ministry of Education has ultimate control over virtually all of higher education, which is free at public universities, however all students need to pass an entrance examination before they are accepted.

Transport

As you would expect from a popular tourist destination, transport in Brazil is of a good standard. The government's commitment to opening up the country to tourism has resulted in the upgrading of several new airports, and there has been further investment into new roads and general infrastructure.

Many airlines fly to Brazil from the UK – including the national carriers Varig and Tam. Both of these firms also offer a range of domestic services, however be aware that even domestic flights are subject to departure tax in Brazil. Due to the sheer size of the country, however, you may be left with little choice.

Although, if you are determined to stay on the ground, there are a number of options available to you. Despite lacking serious investment, the train services in Brazil boast some truly scenic journeys, which can prove a popular choice if time is on your side. For shorter distances it is feasible to hire a car, however be aware that this may not be the safest option available to you. Tourists are generally advised to carry plenty of water and a detailed map – and not to stop at red lights if you can help it.

And finally...

Safety is obviously a major concern for people considering buying in Brazil, however if you make sensible decisions, and have your wits about you at all times, then there is no reason why this should cause a serious problem.

It is also important to do your research before you buy – on your estate agent or developer as well as location. Rumours of prices being falsely inflated by up to 25 per cent are not uncommon, and any 'guaranteed' rental return promises must be fully scrutinised – are you sure you are not simply paying out more initially in order to get such a deal?

Due to the distance, buying in Brazil poses another problem – the environment. In today's environmentally aware society, having a holiday home so far away may cause anxiety over the carbon footprint needed to get there. And, if you are price conscious, this may have a direct impact on your travel arrangements – as a levied



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tax on all long-haul travel would not be an unexpected turnaround.

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