

The Herald



The Herald

Web Issue 3367

February 2 2009

MAIN BUSINESS - IN THIS SECTION

INDEX

[Search this site](#)
[Home](#)**LIVE UPDATES**

News
Sport
Entertainment
RSS Feeds

MAIN SECTIONS

News
Sport
Business
Politics
Features
Going Out
Herald Society
SocietyAwards08
Fashion Awards
Maggies
Schools Tables
Property Awards
Politician 2008

BLOGS[Herald Blogs](#)**FESTIVALS**

Herald Angels
International Festival
Fringe
Book Festival
AyeWrite08
Music Festival 08
Celtic Connections
Festival Archive

MULTIMEDIA

Slideshows
Video Week
Burns
Motors videos
Film Trailers
Glasgow 2014
Edwin Morgan
Video Archive

PICTURE GALLERY

Reader Pictures
Politician awards
Picture Archive

SERVICES

Order Your Paper
Search This Site
Free Daily Email
Back Issues
News Archive
Photo Sales
Contact us
Help & FAQs
Digital Edition

FAVOURITES

Crosswords
The Diary
Letters
Local News
Local Dating
Local Weather
Today's page 1

ADVERTISING

Appointments
Motors Online
Homes
Book ads online
View ads online
Classifieds
Family notices
Courses
Advert guide

RELATED SITES

Evening Times
Sunday Herald
Newsquest UK
Travel Shop
Jobs

The Herald

SCOTLAND'S LEADING QUALITY DAILY NEWSPAPER

Cashing in on that place in the sun

FRANCIS SHENNAN and SIMON BAIN

AT a time when sterling has fallen to an all-time low against the euro, Britons with property in continental Europe are selling up to take advantage of the weakened pound.

Despite property prices falling in Europe, Britons with property abroad stand to make up to a 22% profit simply by selling their property at the same price they bought it at, according to exchange specialist Foreign Currency Direct.

Peter Ellis, the group's chief executive, commented: "We have noticed a significant increase in the number of our British clients selling property abroad, with many willing to significantly discount the sale price of their property in order to secure a sale.

"UK owners of foreign property can now afford to drop the value by as much as 22% and still regain more sterling than they originally invested in the property."

He said it was possible to secure a forward contract, locking in favourable exchange rates for a future sale.

"This means that anyone thinking about selling their property within the next two years can secure a great rate now, even if they are keen to wait a while before selling up."

Spain's Ministry of Housing last month reported sales in the third quarter of last year down 36% on 2007 and new project launches down 40%, with hundreds of builders going out of business.

Owners also face potential tax traps. "Gains on overseas assets are calculated using spot exchange rates on the dates the assets are sold," said Neil Whyte, tax partner at accountant PKF.

"Overseas owners face an unexpected UK capital gains tax liability."

For example, a Briton who bought a Spanish property in January 2007 for 1.25m, then equal to £854,818, and sold this month for 1m, equal to £966,744, would make a 250,000 loss but £111,926 sterling profit, incurring a capital gains tax bill of £18,419 payable on January 31, 2010.

"If owners reinvest all their equity in a new overseas property, they may have difficulty finding the cash to pay the tax. Even those aware they have a tax problem will often realise a smaller amount of post-tax equity from their properties than they expected.

"Worse, if owners sell an overseas home and leave their equity in a foreign currency bank account, they could face a double hit if sterling recovers before the tax is payable. If they cannot pay the tax from UK funds they would have to convert some of the sale proceeds to sterling at a disadvantageous rate."

There may also be problems with inheritance tax. Estates and heirs of non-domiciled owners may face inheritance tax in two jurisdictions. Spain, for example, taxes individual inheritors while other countries tax the estate.

Mark Roach, of Cheshire-based Wincham Investments, suggests forming a UK private company and gifting the property to it, so avoiding Spain's 7% transfer tax and the company paying only UK tax.

Even with existing currency exchange rates, though, property abroad is a buyers' market, according to foreign exchange specialist FC Exchange. With overseas rental properties experiencing good business as fewer people buy abroad, a foreign buy-to-let could bring a regular income into the UK.

However, the weak pound means less to spend and higher costs, so you need to plan your budget.

The pound is undervalued against both the dollar and euro, says Bob Munro, senior currency strategist at HiFX, but he warns: "In the short term, we are advising clients to leave room for further declines. We suggest \$1.37-\$1.40 as a potential floor.

"Sterling could continue to fall against the euro, with parity an obvious target and 0.95 likely to be too far. A recovery towards 1.15-1.20 would not be unexpected. In the short term the outlook for the pound in 2009 remains gloomy."

© All rights reserved. Reproduction in whole or in part without [permission](#) is prohibited.

IN YOUR AREA**Weather**

- please select -

Local News Search

-- please select --

SCOTLAND'S APPOINTMENTS
ADS ONLINE

Click here to place an ad in The Herald

CLASSIFIEDS

Browse our classifieds

FAMILY NOTICES

Browse our NEW family notices

[Barcelona](#)

[Travel Shop](#)

Airport Parking

[Travel Shop](#)

Holiday Insurance

GET HEADHUNTED



[email article to a friend](#) [print article](#) [larger type](#) [smaller type](#)

Post this article to:

[Del.icio.us](#) :: [Newsvine](#) :: [NowPublic](#) :: [Reddit](#) :: [Yahoo](#)

heraldtalk **Want to comment?**
The Herald | Sunday Herald **Click here to join the debate**

Copyright © 2009 Newsquest (Herald & Times) Limited. All Rights Reserved
[Sitemap](#) :: [Circulation](#) :: [Syndication](#) :: [Advertising](#) :: [About Us](#) :: [Terms of Use](#)