

Sri Lanka's economy looks healthy and is predicted to grow at over 5% per year by 2020, with a substantial part of that growth due to tourism. The government is keen to attract overseas investment to support this growth and has made recent changes to laws on foreign ownership of property, which make it easier for outsiders to buy a slice of this island paradise.

And while non-Sri Lankans still can't buy freehold property outright, without paying an exorbitant 100% tax, (although recent proposals in the 2018 budget may remove these restrictions), the process for 99-year leasehold arrangements or creating a risk-free partnership to comply with the 49% foreign ownership limits has become far more streamlined.

As more Australians, North Americans and Brits call Sri Lanka home, the availability of trustworthy, expert support for newcomers to negotiate these rules and regulations also grows. There are several agencies in the southern Sri Lankan area of Galle that are owned and operated by Westerners who've been through the buying process many times themselves and then set up a business to help others.

After 10 weeks exploring the delights of Sri Lanka (a tiny, yet incredibly diverse country in the Indian Ocean), my husband Tim and I were starting to wonder if making a more permanent move was on the cards.

Tropical beaches, mountain hideaways and a rich cultural heritage offered so many options for a laidback, yet exotic lifestyle at a rock bottom price. From what



Unawatuna is one of many relaxed and affordable beach town destinations in Sri Lanka.

## A Piece of Paradise in Sri Lanka From \$160,000

Sharyn Nilsen

we'd seen we could live a very comfortable life here for less than \$2,000 per month.

Life moves slowly in Sri Lanka, everyone is on 'Island Time.' During our time there, we loved nothing more than to hit a palm fringed beach bar for a couple of icy cold beers at sunset. Followed by a delicious Sri Lankan dinner, knowing we'd be hard pressed to spend more than \$25 in total.

A decade on from a devastating 26-year civil war, the country is unrecognisable from the strife-torn images of yesteryear. Coastal areas are lined with pristine beaches and warm tropical waters, many of which have yet to see a fraction of the development happening in other parts of Asia such as Thailand, Vietnam and Malaysia.

Even the more popular southern areas such as Unawatuna, Hikkaduwa and

### REQUIREMENTS FOR THE MY DREAM HOME VISA PROGRAM

For those who decide Sri Lanka's weather, low cost of living and quality of life make the perfect retirement option, the country now welcomes senior foreign nationals who wish to prolong their stay. The visa is initially granted for two years and is renewable provided all set conditions continue to be met.

You must...

1. Be over 55 years of age.
2. Remit around \$19,000 to a fixed term account in an approved Sri Lankan bank.
3. Be able to prove you can remit the

equivalent of around \$1,900 for the applicant and around \$965 for each dependent (spouse and children) into a savings or current account in an approved Sri Lankan bank.

4. Submit certified copies of your passport, bank and financial statements to prove you have adequate financial support, a recent (within six months) police clearance from your home country and a marriage certificate for your spouse.
5. Have valid medical insurance and refrain from working or any political activity.
6. Submit financial statements showing you meet the funding requirements every

six months.

The approval process takes two weeks or less, at which time a letter is supplied so that the relevant bank accounts can be opened and funds transferred.

**Note:** The entire amount of money in the fixed term account is redeemable (with appropriate approvals) at any time, should you wish to terminate your stay.

Application processing fees amount to \$192 for each applicant and dependent. Residence fees and taxes amount to approximately \$173 per person (applicant and dependents) per year.

Mirissa still retain their relaxed atmosphere and have plenty more room for growth. And interspersed between these major centres are dozens of other communities with even more potential.

Right along the coast, a mix of new resorts, apartment complexes, small bungalows and luxury colonial villas provide something for every taste and budget, whether you want to buy or rent. For those not wanting a “sea change”, the lush, central highlands, provide ample opportunities for a more temperate “tree change”.

As we began to investigate potential business and real estate opportunities, the idea that Sri Lanka could be a realistic retirement option started to make a lot of sense. Especially, considering the relatively low financial requirements of the My Dream Home retirement visa.

In many ways, there are too many choices of properties. How to pick just one? We spied a **brand new, six-bedroom**, eight-bathroom, fully furnished, 580-square-metre-villa with a swimming pool, 10 minutes from Unawatuna beach in a popular expat neighbourhood (11 kilometres south from Galle city). It was going for around \$455,000. Visions of our own luxury Airbnb started to take form. But would that be too much like hard work?

Instead, we could have a fully refurbished, **four-bedroom, three-bathroom, air-conditioned house**, just three kilometres from Unawatuna Beach for around \$170,000. A smaller and more manageable choice for a relaxed retirement, yet big enough to handle visits from the many friends and family that would be sure to visit if we made the move. Housework wouldn't be an issue. The cost of employing domestic help is very economical, with a reliable cleaner, gardener or cook earning around \$13 a day.

Or perhaps we could choose a project of love and restore a slice of history. I could imagine us sitting back at sunset enjoying a gin and tonic in this **colonial era home**, surrounded by 5,000 square metres of lush tropical gardens with passion fruit, mango, avocado and spices, just two kilometres from up and coming Ahangama, and four kilometres to Welhengoda surf beach. The price of this five-bedroom “fixer-upper”? Less than \$285,000. A similar property on the East Coast of Australia would run into the millions.

## TIPS FOR BUYING A PROPERTY IN SRI LANKA

Changes in the rules for foreigners buying property in Sri Lanka are frequent, so it's critical you find the right professionals to guide you through the most recent regulations.

For example, from April 1, 2019, anyone buying an apartment—signing a Sales and Purchase Agreement—will pay 15% VAT. Apartments on the market for less than LKR 15 million (\$118,661) will be exempt from VAT, but only if all the apartments in the same building are also valued at less than LKR 15 million.

### Points to Note:

- Find a good real estate agent with experience in property transactions for foreigners.
- Hire a trustworthy, independent lawyer or notary with excellent English, along with the native language of the seller. (For example, Sinhalese, Tamil or other local dialect.)
- Negotiate the sale price.
- Your lawyer checks the plans and deeds of the property at the Land Registry to

make sure the seller is the only legal owner, and if there are any leases or outstanding debts associated with the property. In areas affected by the war, the search should go back at least 20 years to see if properties have been confiscated or abandoned by families. (Title insurance can protect you from future claims to the property.)

- When the price is agreed, both sides sign the contract and the buyer pays at least 10% deposit secured by a lawyer, trustee or other middleman. The remaining funds should be transferred as soon as possible.
- Getting money into Sri Lanka to pay for the property is relatively straightforward via a special SIA (Securities Investment Account) held at a local bank.
- The lawyer registers the deed at the Land Registry and the new owner (buyer) at the municipality.
- The buyer then receives a certificate of ownership.
- The deal is neither closed nor legalised until the new owner is registered with the relevant authorities.

Of course, there would be the usual administration costs on top of these bargain basement prices. These include land tax (7% of the price of the property if taking a 99-year lease), stamp duty amounting to around 4% of the total price of the property, registration and solicitor's fees. Capital gains on property purchased after April 1, 2018 is a flat 10%, irrespective of the period of ownership, quite a bit lower than the 50% charged by the Australian government.

Remember, prices are often quoted in U.S. dollars so the costs will vary depending on how the AU dollar is doing against the greenback.

But even with the added costs, the value, when compared to the overinflated Australian property market, looks quite inviting.

As with any other country, the key to making a wise property purchase is get to know the market before diving in. That and finding trustworthy, professional advisors who can help you make good decisions and guide you through the regulatory maze, especially one

that is changing so rapidly. For us, that would mean heading back to stay in our preferred location and renting for an extended period before taking the plunge. There is a wealth of great value rentals available for all budgets all around the country, so there's no barrier there.

Step two would be getting involved in the local expat community and asking people who have bought properties how they went about it. Personal recommendations are worth a thousand website testimonials.

So, while we haven't made the jump yet, Sri Lanka has definitely made its appearance on our radar. The government is clearly signalling the country is open for business. The positive changes in regulations, value for money and the potential for living with a much higher level of comfort to Australia for a much lower cost is an inviting prospect. Add the benefits of living long-term in a tropical paradise where others can only dream about or visit while paying a premium for an experience we could have every day is a bonus. ■