

Lanta Island Property Buyers Guide

Lanta Island Property

Lanta Island Property offers prospective property buyers and investors the most comprehensive resource of real estate available on the island. We hold the premier real estate listings available for Koh Lanta, and with our direct approach there is no need for any “middle men” – we can put you in touch with the owner directly – ensuring you get the best price possible.

We have years of experience in the international and Thailand real estate markets. We represent a range of properties and developers who we believe offer the best investment for you in terms of:

- Longevity
- Cash flow
- Reputation
- Construction quality
- Location
- Price/Quality

Our careful selection of developers and properties means that you will not waste time looking at properties that may ultimately be a disappointment or a bad investment.

Why Use a Real Estate Agent?

There are a few reasons we believe that finding a real estate agent that you can trust, can only help you in the long term.

- Local Knowledge
 - We live on the Island and have so for a number of years.
- Relationships
 - We have good local contacts that enable us to ensure you will get the best price possible.
- Market knowledge
 - What is a good investment? Where and when should you buy?
- Advice & guidance
 - Ownership structures, tax planning, visas, financials.
- Managing the sales process
 - Looking after your investment when you are not here, keeping you informed of construction updates.
- Pitfalls
 - Land title deeds, developer cash flow.

Koh Lanta?

Koh Lanta has continued to increase in popularity over the past 10 years, and this popularity has seen an evolution from a purely backpacker destination to a well facilitated tropical family holiday island. This has seen a steady increase in the number of visitors to Koh Lanta (circa 300,000+ annually) and this has created a very strong demand for the limited supply of real estate available.

The Island is not the most well known tourist destination in the region where Phuket has dominated for decades as the major hub and best known place for holiday and real estate investments.

Then again, as Phuket and the rest are reaching their peak of development, discerning holiday makers, tourists and investors alike has started to look for alternative destinations which represents not only a well run commercial center, but something more special, more authentic Thai. Koh Lanta definitely fits the bill.



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Being an Island, Koh Lanta has several world class beaches, a thriving community and not at least an exceptional potential for growth. By using just a couple of words, the real estate market both on Koh Lanta and in Krabi can be described as definitely booming. By that we mean they are both some of the most beautiful tourist destinations in the amazing Kingdom of Thailand, but real estate investments have not quite caught up yet. For any investors, that's a good thing

The prices for properties are substantial cheaper here than in Phuket, Pattaya, Bangkok and Koh Samui. And if the market, which is still in its infancy, just booms comparable to some degree as much as in the aforementioned destinations, the investors which move fast will be very lucky indeed getting great capital returns.

Reasons Why Thailand Is an Intelligent Property Investment Location

- An exotic long haul destination, Thailand is also a sophisticated tourist destination with a great universal appeal.
- For thousands of people who have worked in Asia for many years, Thailand is a very attractive retirement destination, in which the living environment will feel familiar.
- Retirement visas are available for foreigners over 50 years of age, according to financial means.
- Thailand has good schools, an efficient health care system and it is seen as a friendly country in which to live or visit.
- Thailand boasts beautiful mountains, dense forests and stunning beaches.
- With a tropical climate and cities teeming with culture and color, Thailand entices visitors back each year.
- Warm weather for winter holidaymakers between November and March.
- The relatively undiscovered nature of Thailand means that property prices here remain far below those in the more established European markets, although they are growing quickly and strongly (around 10-15% a year).
- Thailand is the largest growth market in Asia. Some businesses choose Thailand as a regional base from which to keep their employees working all around Asia.
- Thailand has recently attracted significant foreign investment. It has become one of the Asian economic leaders and is one of the fastest-growing economies in the region.
- The completion of the Suvarnabhumi-Bangkok International Airport (SBIA) is expected to spur growth in commercial property markets in eastern Bangkok as well as make Thailand even more accessible by air.
- Thailand is one of the cheapest places to fly to in Asia.
- The country has strong business links with China and has an excellent infrastructure as well as world-class facilities in many resort towns.
- Property is much cheaper in Thailand than elsewhere and an increase in overseas interest in property purchase has helped to create an economic recovery in Thailand. Property investors who bought post 1999 have witnessed impressive capital growth, particularly in major cities.
- Rental potential is great, due to increased government spending luring growing numbers of tourists.
- No capital gains tax for private investors, and low ongoing taxes.
- Today foreigners are regarded by the government as a big investment opportunity in Thailand.

Thailand Market Growth

The information below highlights the strong economic structure of Thailand today and outlines why Thailand's investment potential it is turning the heads of many interested investors.

With a thriving tourist industry and new investment in marketing, property in Thailand is experiencing a quiet revival since the recent Tsunami disaster. New construction in resorts less affected by the disaster is expected to attract a vast numbers of tourists on short term holidays, while generating excellent rental yields for the investors who own these properties.



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In order to meet the target of 10% growth in tourist numbers per annum, the government is concentrating its marketing efforts on high-end international tourists with higher purchasing power, especially those from the European Union, the United States, Japan and China. New markets are also being penetrated especially Russia and India in 2006.

New focus is on areas such as Koh Samui where land prices have increased by 20% in the last year. Other projects in the resorts of Hua Hin and Lanta Island are also attracting substantial interest. It is important to focus your search on popular areas in order to benefit from maximum investment growth.

About 33% of the Thai population is aged between 25-44 years, which is a very good demographic figure for the growth of the domestic housing market, especially in the middle-end investment sector.

Capital Growth Predictions:

While returns on investment are relatively slow compared to those in other emerging property markets, Thailand has a huge appeal on the basis of its already thriving tourist trade and the great potential of its future: Today, the Thai government see foreign investment as great asset while the dropping of certain financial requirements now make investment in Thailand an easier option.

Current average capital growth for Thai property is set at between 10 and 15%.

Rental Yield Predictions:

The best investment returns are to be found in apartments in the major cities which rent out to the domestic market and which have been enjoying increased rental rates, as well as apartments in resorts built for development and resale to overseas second homers, retirees and expatriates. Many property developers are planning new projects in the Sukumvit area of Bangkok, where demand is dominated by expatriates.

If you select a property in a suitable location, it is expected that mortgage payments and bills can be partly or totally covered for the year from the rental income achieved from the peak season months alone (November to March).

Legal ownership of property - Lanta and Thailand

Owning Property in Thailand

Although foreigners are legally prohibited from owning land in Thailand, there are proven and effective ways in which you are able to purchase land and own it while complying with Thai laws.

One form of land purchase, popular with foreign investors is through a Limited Liability Company. The foreigner can own a maximum 39% of the company shares, but can easily - and legally - organize to be the only director of the company who can commit or bind the company in any contractual dealings. This effectively allows the buyer total & secure control of the company and its assets.

Another form of land purchase for foreigners is through a Leasehold Agreement. These are generally written up as 30 year leases with two additional prepaid 30 year renewals for a total of 90 years. The lease will include clauses that automatically allow freehold ownership if Thai law ever changes to allow foreign ownership, and the right to sell, sublet, or transfer the property. This makes Leasehold purchase effectively ownership.

Becoming Your Own Landlord

In some developments the freehold is passed to the individual lessees once the entire development is sold out. Each lessee then owns an equal share in the freeholds so that they effectively become their own landlords.



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The Freehold Condominium Law

A few years ago Thailand introduced the "Freehold Condominium" law which has the effect of producing a two-tier ownership structure within a single development. Under this law, 49% of the condominium development can be sold outright to foreigners with Thai owners holding at least the remaining 51%.

Where to Go For Help

We hope this enhances your understanding of Thai property ownership rules. While seemingly complex, we can assure you that thousands of foreigners have made safe and successful purchases, including ourselves. As the business landscape in Thailand is prone to changes, it is best to seek the advice of reputable professionals who can guide you.

Land Measurements in Thailand

Land in Thailand is measured in units of Talang Wah, Ngan and Rai.

1 Talang Mett	1 sqm	10.7 sq feet			
1 Talang Wah	4 sqm	42.7 sq feet			
100 Talang Wah	400 sqm	4,277 sq feet	1 Ngan		
400 Talang Wah	1,600 sqm	17,108 sq feet	4 Ngan	1 Rai	
1,000 Talang Wah	4,000 sqm	42,772 sq feet	10 Ngan	2.529 Rai	1 Acre

Types of Land Title Deeds in Thailand

It is highly recommended that a proper land search at the land office is carried out before you make an offer. There are 5 different types of land titles in Thailand, but only 2 types of titles are recommended for foreign investors: Nor Sor 3 and Chanote.

Tor Bor Tor Hoc, and Tor Bor Tor Ha titles are essentially squatter's rights registered at the district office for a small fee. They cannot legally be sold, nor can the purchaser build on the land.

Sor Kor 1 This document means that land occupants are occupying or making use of certain land plots, whose ownership has not been claimed by any entity. The document does not indicate legal possession of the informer so one cannot transfer the ownership of the property to anyone else. The Sor Kor 1 is rare now as the government's land ownership legislation has covered most areas of the country.

Nor Sor documents are issued to show the possessors' exploitation of the land. Though these documents do not provide ownership rights, as do Title deeds, they can still be registered for transfer of the lands for which they are issued. Here are the different types of Nor Sor documents:

Nor Sor 2 states the government's permission for a person or legal entity to make use of the land temporarily. The possessor needs to utilize at least three-quarters of the land plot within three years after the document is issued. This right is non transferable. At the end of the period, land occupants can seek the right to demand a higher privileged title deed.

Nor Sor 3 is a governmental letter certifying the utilization of a certain land plot by certain people and that the plot of land has been surveyed and its official map created.

Nor Sor 3 Gor is similar to the Nor Sor 3 certification. The only difference is that the map survey of the land plot is based on an aerial-viewed photograph of the land.

Ownership Title Deed or Chanote (Nor Sor 4) is the ultimate certification of land ownership. Holders of the title deed have full rights to transfer or sell the properties and to bar other parties from violating their rights over the land protected by the ownership title deed law. These title deeds must be registered at the Land Department in the province in which the land is located. It should also be noted that a parcel of land may be commonly held by several individuals. A person whose name appears on a Chanote, or Land Title Deed, has all the legal rights to that land, and can produce the deed as evidence of ownership to Government officials.



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Thailand - Tax Planning

Tax planning should be a core consideration during any form of property investment. The tax system in Thailand has many foibles - this section is designed to offer a general guideline in principle to the Thai tax system.

Those living outside their home country may be currently free of the burdens of taxation, but future changes in personal circumstances may mean that tax could once again become payable, whether or not they plan to return "home".

We strongly advise that all clients speak with our independent tax advice partners regarding their individual case.

Property Taxes and Costs

When a plot of land is transferred via the local land office the following fees/taxes apply. However, for the registration of a 30 year lease the fees/taxes will be calculated at 1.1% of the registered value of the property.

TAX	WHICH PARTY NORMALLY PAYS	AMOUNT
Transfer fee	Buyer	2% of registered value
Stamp Duty	Seller	0.5% of registered value
Withholding Tax	Seller	1% of appraised value
Business Tax	Seller	3.3% of appraised value

Capital Gains Tax

There is no Capital Gains Tax in Thailand, unlike many other countries.

Income Tax

This is usually between 1.0 and 3.0% on property is the comparable replacement to capital gains tax. There are no established rules regarding who pays the income tax while this is simply another part of the bargaining process during purchase, as are all other costs relating to the transfer of ownership.

Property Tax

There are two types of tax levied for property in Thailand:

Land Tax

This is an annual tax levied on land ownership. The amount is often so small that in practice the body charged to collect it rarely bothers to do so. When they do collect it, it is usually after several years when the amount has accumulated.

Structures Usage Tax

This only applies to commercially used properties. The rate is 12.5% on the actual or assessed gross rental value of the property. However, this notional value is well below the commercial market rental value. If the property is purchased through a company, you need to remember that corporate tax is higher than personal tax, and the cost of setting up the company must be considered as part of the initial investment.



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Tax on Rental Income

This tax is charged at between 10 and 30% of the rental income, depending on the type of property leased.

Inheritance Tax

There is 0% inheritance tax for all family members in Thailand.

Off-Plan in Thailand

Thailand currently has much to offer investors in terms of off-plan villas, townhouses or apartments. Almost all the off-plan property for sale in Thailand is located in the major investment hot-spots. The government has strict guidelines to ensure the quality of off-plan property in Thailand is high and that it is also constructed in harmony with the environment. Obviously, as development projects are completed, it may be possible to purchase completed property but this will be priced substantially higher as it is also generating the return on investment for the original investor. They are invariably in popular tourist areas that will allow investors to generate rental returns.

Buying off-plan in Thailand at this time allows investors to purchase property in areas that will attract major rental demand and price appreciations at the lowest possible prices.

How can property be cheaper if bought off-plan – How does it work?

The developer of any project is always exposed to risk. They want to cap this risk as quickly as possible and limit bank loans and other debts. They do this by selling units off-plan at excellent prices as the buyers cannot see a physical property at this stage and rely on the location and artist impressions, diagrams and computer simulations.

In addition to an excellent price, the investor also benefits from excellent finance structures due to the fact that the property is sold off-plan. The investor usually only needs to pay around 25% of the value of the purchase in the form of a deposit, the rest is payable on completion and can obviously be financed by a mortgage.

Maximizing Profit from an Off-Plan Investment in Thailand

1. Purchasing early

At the commencement of a project, the developer offers units well below market value for the reasons mentioned above. In Thailand it is also important to buy as soon as possible as the property market is in its early stages of development and prices are still very competitive but already rising. Investors who purchase now will see the greatest profits.

2. Purchasing the best units

As our investors are aware early, they can purchase the most sought after properties on any given development. This varies according to development depending on the details of construction. Penthouses are often favorites. The best units always offer highest capital appreciation in the quickest turnaround time, and will also command the greatest rental incomes.

3. Price increases as development matures

As the development begins to be constructed the units value rises. There is normally a completed show home at this stage so buyers are taking less of a risk without the need to rely completely on plans.

4. Price appreciates as more units sell

As more units are sold the price of the remaining units rises. This is due to buyers being able to see current units as mentioned above. Often there is a phase payment structure in operation which mirrors the increasing value of the properties. To the early investor this means that should you decide to sell your property, it will be worth considerably more at this stage than when you made your initial purchase and paid your 25% deposit.



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Note that local banks do not provide loans to foreigners. It is also essential that all money be remitted from abroad in a foreign currency before conversion to Baht, clearly labeled: "For Purchase of a Condominium", and documented using an Exchange Control Form (Thor Tor 3), which can however only be issued to remittances exceeding US\$5,000 (so be sure to manage the inflow of your finances well). Make sure, also, that the name on the Exchange Control Form is the same as the buyer's, to avoid delays and further inconvenience.

Buying Process

It is very important to hire a real estate attorney when purchasing property. The realty industry in the country is still unregulated, so a lawyer will be able to provide more security than a mere real estate agent.

There are, essentially, two important documents that are needed: passport and an Exchange Control Form. But if the option of buying through a company is preferred, the following are required documents:

- Certified copy of the certificate of incorporation
- Certified copy of the memorandum of association
- Notaries certificate
- List of shareholders (in English with Thai translation)
- Minutes of directors' meetings with resolution to purchase the property
- Letter of advice regarding specific signature
- Power of attorney - if you, as a director, will not be present in the transactions
- Free debt letter
- Foreign co-owner letter
- Certified copy of IDs of authorized director(s)
- Certified copy of the house registration of the authorized director(s)
- Title deed of the condominium unit

Due diligence should be conducted prior to signing agreements and paying deposits. It is wise to ask the lawyer to do a caveat search and verify the property's actual condition before engaging in purchase transactions. Once the seller accepts the offer, his lawyer will prepare a purchase agreement. This should include, among other things, which party pays the legal fees, transfer fees, and taxes.

A deposit will be paid upon signing. Bear in mind: Deposits in escrow are still rare. Furthermore, deposits are non-refundable unless it is the seller who backs out. In that case, he will need to pay you double the amount for damages.

Closing usually takes 30 to 60 days. This includes the exchange of contracts and settlement of the remaining balance. When these have been accomplished, the title deeds will be submitted to the Land Department for registration and payment of government duties.

Legal Fees

- | | |
|--|-------------------------|
| • Incorporation & registration of Company | 35,000 Thai Baht |
| • Conducting the relevant search at the land office | |
| • Preparing & attending the signing of the sales agreement | |
| • Attending to the payment/disbursement of monies | |
| • Attending to the registration of the transfer | 45,000 Thai Baht |

Source: Island International Consultancy & Law Co. Ltd.

Pure Investment Thailand

The pure investor is an unemotional investment property buyer who is purely seeking maximum short term return on capital within the safest investment market in history. Their investment vehicle is the purchase price while the investment involvement is typically only 20-40% of the purchase price.



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During the construction period, the developer is likely to increase the units' sale price several times in stages. These price increases reflect the developer's risk and as the development matures, the developer's exposure diminishes, allowing them to charge more for their product with each passing stage. Meanwhile the buyer pays more for the luxury of seeing physical progress and relying less on architects' drawings and graphical impressions when making the decision to purchase the property.

To the pure investor, this creates an excellent investment opportunity as he/she can buy at the earliest stage possible and benefit from each of the phased price increases, gaining profits of 30%-40% (assuming 3-4 phase price increases each of 8%-10%). The pure investor then seeks to re-sell his investment bought at the lowest price possible, just before project completion, to a higher paying secondary buyer.

Thailand is ripe for the pure investment option while buy-to-let opportunities are on the increase in a number of new resort areas, in line with government plans to increase the number of visitors to Thailand by at least 10% per annum.

Investors looking for short and medium term capital growth are purchasing Thai property. They seek to purchase early on developments to secure the highest quality property units in the best locations at the lowest prices.

Capital appreciation in Thailand is expected to be in the region of 10%-15% in 2006, based on previous figures. With the government's development plan for Thailand set to continue driving tourism and property market, many investors will be selling their pure investments and cashing in on some good returns, without capital gains tax, upon resale.

How to Form a Thai Private Limited Company

(Provided by Somphob & Associates Law Office)

1. Corporate Name Reservation. You must reserve a company name at the Register of Partnerships and Companies, Business Development Department, Ministry of Commerce; by submitting three prospective names. The company name must not be the same as that of any other registered company. The reservation is valid for 30 days with options for renewal. No fee is charged for this and you should expect to receive confirmation within two working days.
2. File a Memorandum of Association. The Memorandum of Association must be filed with the Business Development Office. It should contain the reserved company name, location, objectives, registered capital, number of shares and par value (minimum of THB5 (US\$0.13) each), pertinent information and signatures of the promoters (minimum of seven), and the number of shares subscribed by each promoter.
3. Convene a Statutory Meeting. The list of subscribers, their addresses and number of shares must be presented at the Statutory Meeting. A Statutory Report or Notice of Invitation must be sent to each subscriber prior to the assembly for their information. Among other things, the agenda shall include:
 - o Adoption of articles of association
 - o Ratification of promoters' contracts and expenses
 - o Establishment of preference shares and their rights
 - o Fixing the number of shares to be fully or partially paid up
 - o Appointment of the directors and authorized director (You!)
 - o Appointment of auditors and agreeing on their remuneration
4. Payment for shares. The directors should ensure payment of shares by subscribers, depending on the amount agreed upon during the Statutory Meeting.
5. Registration. The company must be registered within three months after the Statutory Meeting by filing an application signed by the authorized directors. The application should be accompanied by the Statutory Meeting and approved Articles of Association. When the requirements have been satisfied and approved by the Registrar – usually after five working days - you will have to pay an official fee of THB50 (US\$1) for every THB100,000 (US\$2,596) of registered capital. The minimum is set at THB500



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(US\$13) and the maximum at THB25,000 (US\$649). The certification document will be issued a day after the necessary payments have been settled.

6. Tax Registration. A tax identification card and number must be obtained for the company from the Revenue Department. Companies earning more than THB600,000 (US\$15,575) per year should also register for VAT. Registration fees amount to about THB900 (US\$23) - THB200 (US\$5) for Affidavits and THB700 (US\$18) for MoA and AoA. Lawyers would charge about US\$2,000 + 7% VAT for company formation and additional US\$200 for secretarial services (i.e. maintaining files, minutes and documents, etc.)

Zoning & Building Regulations

The titles possible to register a sale or lease over and to apply for and obtain approval to build on land are the Nor Sor 3, Nor Sor 3 Gor and Chanote.

There are 4 general zone regulations issued under the Building Control Act, giving standard building size, design and the height of the building.

The restrictions and the requirements for utilization of land in each zone are different. The main aim is to set rules for sustainable development of Koh Lanta and protect the environment.

Zone 1: From high-tide mark to 50 meters inland (elevation below 40 meters above sea-level)

- For the first 20 meters inland from the high-water mark there may be no construction and there may be no earthworks at all (leveling or filling).
- The height limit is a maximum of 6 meters - measured to highest point on the building. (In Krabi, officials are approving 2-story buildings with a pitched roof, and are not strictly enforcing the 6 meters.)
- Buildings may take up no more than 25% of total land area - there must be 75% open space.
- Each building's 'footprint' may not exceed 75 square meters; the distance between buildings must be 4 meters; and there must be a minimum of 2 meters between a building and the property line.

Zone 2: From 50 to 150 meters inland (elevation below 40 meters above sea-level)

- The height limit for buildings is 12 meters.
- No shop houses may be constructed (residential row houses are acceptable but must have a gap equal to the width of each unit after every fifth unit).
- Building space may not take up more than 50% of total land area, leaving at least 50% open space.

Zone 3: From 150 to 500 meters (elevation below 40 meters above sea-level)

- The height limit for buildings is 16 meters.
- Building space must not exceed 70% of the total land area.

Zone 4: Any Land More than 40 Meters above Sea-Level

- The building height for buildings in the Zone above 40 meters may not exceed 6 meters.
- Buildings may not cover more than 25% of total land area.
- Regulation of the Land Department Land Division must be applied.

Above 80 Meter Height Zone

The National Ministry regulations state that nothing can be built on land more than 80 meters above sea-level. This law is currently only being applied in Phuket. All other provinces have decided to opt out of this specific regulation, but there is the possibility that it might be applied in the future.



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General Regulations

- The roof must be a pitched (sloping) roof that covers at least 70% of the building. (This regulation, which is highly problematic, has not really been applied in Krabi yet.)
- Building colors are limited to: brick, burned earth, brown, grey, leaf green, white, and whatever other colors are approved by the local district.)
- Any earthworks may not be done on any slope greater than 25 degrees.
- Building plans must be approved by the local Or Bor Tor officials and then the provincial Public Works Department (*Yotha*).
- Any development of more than 11 units must complete and Environmental Impact Study.

Client Testimonials

A selection of Lanta Island Property's clients explain their experiences;

"Last year I was looking to buy land on Koh Lanta and used a few agents to do so. I have to say Iain was by far the best in many respects. Iain bent over backwards to help me, as it took me several months of searching to buy the right land plot and he was always patient, trying to give objective advice, putting together a detailed business plan. He is totally on the ball, knows his stuff having been here many years and has a great reputation within the ex-pat community on the island in general. Iain turned out to be a good friend too whom I can trust and have no doubt he will do his best for you." L. Breen, Scotland.

"I have known Iain Tiltman of Lanta Island Property for nearly three years now and have found him to be very trustworthy and honest with everyone. I have bought some land here he introduced to me and everything went very well. He sorted all the legal work and got the translations done for me. It worked like a dream. I would have no hesitation in recommending him for his services in the property market." A. Butler, UK.

"I've just purchased a 3 rai property on the East Coast of Koh Lanta with the help of Iain. He did in fact help me right from the beginning to the end of the process as this was my 1st experience doing so.

Iain always answered my questions and replied back to me once he was able to source any more difficult answers to the issues I faced." S. Kilarski, Canada.

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