Residency and citizenship programmes for African investors

While there are many different residency and citizenship by investment programmes on offer, James Bowling, CEO of Monarch&Co, looks at the most favourable for African investors...

James Bowling, CEO at Monarch&Co International.

Mauritius

Aside from its proximity to South Africa, being just a four hour flight away, there are also tax benefits for South African investors who purchase property in Mauritius as a part of the residency by investment programme as well as the fact that they can use their SADC property allowance for the purchase.

Bowling explains that South Africans are restricted in terms of the flow of their funds to and from South Africa by an offshore allowance, the value of which is determined by local authorities. "Currently, South Africans can have a maximum of R4 million per person out of the country at any one time. Investing in Mauritius, however, provides a unique opportunity for buyers to externalise the full purchase consideration of an IRS or RES property without impacting on the designation or extent of their offshore allowance," he says.

Bowling points out that basically this means that South Africans are entitled to invest in holiday properties in Mauritius in their individual capacities, thus using their rands to invest in a dollar-based property market. "This externalisation includes the property land price, construction, furnishings, swimming pool, landscaped gardens, as well as all taxes and fees applicable, thus maximising the currency-hedge aspect of the investment," he says. "Effectively, the SADC property allowance gives South Africans the opportunity and ability to invest in an emerging property market that has outperformed the world's best established destinations over the last 24 months."

Added to this, Bowling says that there are potential tax benefits to South Africans considering an investment in the Mauritian property market. "Investors would typically fall within the top income tax bracket in South Africa, which means they are taxed on their income at 40%. In addition, any assets disposed of with a capital gain are taxed at 25% of net gains realised. In contrast," he says, "the Mauritian tax regime provides for both individuals and corporate entities to be taxed at only 15%, and there is no Capital Gains Tax. Furthermore, Mauritian authorities do not require any estate duty should an owner pass away, another contrast to South Africa."

In order to qualify as a Mauritian tax resident, an IRS or RES property owner must declare their intention to become such to the South African and Mauritian Revenue Services at the start of the tax year, Bowling explains. "Thereafter they must spend a minimum of 183 days per calendar year on the island. Buyers are encouraged to work closely with their tax consultants in determining exactly what the right domicile is for them, and whether they can benefit in a real sense from altering their current tax regime."

Grenada

Grenada offers one of the lowest priced citizenship by investment programmes, which is the main attraction for many African investors.

Bowling says that the only way to invest in Grenada's citizenship by investment programme is through real estate investment. The minimum real estate investment required is $310,000 for a shareholding in the ownership and operation of the entire hotel along with the right to apply for one citizenship for one main applicant, Bowling explains.

This kind of pricing, which has decreased from the initial minimum investment of $500,000, is expected to open up the investment opportunity to far more foreign investors, allowing them to take advantage of the many benefits that the programme offers. "Due to the fact that Grenada is a member of the United Nations and the Commonwealth of Nations, citizens of the country are able to travel to around 115 countries without the need of a visa. They also enjoy the added benefit of preferred access, and in some instances grants, to many of the top learning institutions in the world," says Bowling.

While the programme requires investors to keep their investment property for a minimum holding period of five years before selling, their citizenship is theirs for the rest of their lives. "An additional benefit that investors have within the citizenship programme is that they are not liable for any income tax, capital gains tax or inheritance tax. Another advantage is that Grenadian citizens pay no tax on worldwide income, and Grenada recognises dual citizenship so investors may hold two passports. This means that investors do not have to forfeit any benefits they currently have from their citizenship status in their own country. A Grenadian passport is valid for a period of 10 years and will be automatically renewed," explains Bowling.

As the newest of its kind, the Grenadian citizenship by investment programme required the lowest investor benefit to investment ratio of all citizenship by investment programmes.

Greece

Gaining residency or citizenship in a country which forms part of the European Union and all of the associated benefits that entails, remains a highly attractive option for many African investors.

While Greece is currently considered to be in a state of economic crisis, it remains one of the most beautiful countries on the globe and offers investors the chance of being a European Union citizen. "The economic crisis has opened up opportunities for foreign investors within the real estate market in Greece, with property in the country now considered as the cheapest in Europe. To entice investment, the Greek government has introduced a residency by investment programme for foreigners who wish to obtain residency permits in the country, which can be renewed after a five year period," says Bowling.

He notes that foreigners are able to obtain a Greek residency permit through a real estate investment, the value of which must exceed €250,000. Investors are entitled to purchase their property anywhere in Greece - on the mainland or islands. Properties within this price bracket range in size from approximately 80 to 110 square metres, with two or three bedroom configurations. Bowling says that in some cases investors have been known to find even bigger properties in the resale market.

St Kitts and Nevis

Bowling says that the St Kitts and Nevis Citizenship programme is attractive to those that want a very quick and also well-priced and structured citizenship programme that gives the investor visa-free travel to over 108 countries as well as tax benefits.

The St Kitts and Nevis (St Christopher & Nevis) citizenship by investment programme was established in 1984 under the regulations of the 1984 Citizenship Act, Part II, Section 3 (5) making it the longest established programme of its kind.

"One of the benefits of the St Kitts and Nevis citizenship by investment programme is that it facilitates ease of travel throughout the world to over 120 countries visa free including the Schengen Zone (27 EU countries), UK and Hong Kong," says Bowling. "Holding a St Kitts and Nevis citizenship also allows for investors to expand their business opportunities without being taxed on their worldwide income.

"South Africans and investors from other African countries look at residency or citizenship programmes as an investment vehicle to offer a hedge against their current domestic currency, as well as an opportunity to gain a second passport and therefore much more freedom when travelling without the need for a visa," says Bowling. "Lifestyle offerings and access to education, medical facilities and a higher quality of life are key elements that attract African investors," he concludes.