



**LOTUS BEACH VILLAS**

*...your home in paradise...*

“RESIDENTIAL BUILDING PROJECT”

*Kiwengwa - Zanzibar*

*United Republic of Tanzania*

# BUYER’S GUIDE

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## **Introduction**

The purpose of the LOTUS BEACH VILLAS Buyer's Guide is to guide buyers through the process of acquiring a Villas at LOTUS RESIDENCE. The Buyer's Guide consists of two main parts:

- the Buyer's Guide, which provides information regarding the acquisition process;
- the Agreements, which includes copies of the various contractual documents. The only binding version of each agreement is its English version;

### **Important note on using the Legal Book:**

*The contents of the various sections within this Buyer's Guide are intended to facilitate buyer's understanding of the LOTUS BEACH VILLAS purchasing process and related contractual steps. Buyers should always refer to the contractual documents (Agreements) for all terms and conditions related to the purchasing of a property at LOTUS BEACH VILLAS. Only completed versions of agreements and contracts, signed by all concerned parties, are legally binding.*

### **Kindly note:**

**The factual information contained in these documents is to the best of our knowledge correct at the time of going to press. We accept no liability for any loss or damage that may be suffered by any person as a result of any change in the facts or their inaccuracy.**

## **Section 1 – Buying a Villa at LOTUS BEACH VILLAS.**

### **Overview**

This section provides an overview of the acquisition process and includes:

- an overview of the laws and form of ownership applicable to acquiring a Villa at LOTUS BEACH VILLAS;
- a summary of the key steps involved in selecting and purchasing a Villa at LOTUS BEACH VILLAS;
- an outline of the different contracts and their schedules;
- an instruction sheet to guide buyers through the executable documents that must be completed and signed throughout the process. Subsequent sections in this Buyer's Guide provide detailed information on key steps and associated contracts.

For the purpose of this Buyer's Guide, the terms Buyer and Seller are defined as follows:

- a) "Owner" (or "Buyer") refers to the buyer of the Villa
- b) "Seller" (or Developer) means LOTUS BEACH VILLAS Ltd, the seller of the Units. LOTUS BEACH VILLAS Ltd holds a 33+33 year sub-lease over the parcel of land on which the LOTUS RESIDENCE will be built. The project is done under a government approved and ZIPA (Zanzibar Investment Promotion Authority) certificated.

## **Vehicles of Acquisition**

- **Key Steps when buying a Villa** The process for buying a Villa at LOTUS BEACH VILLAS entails the following key steps:
  - 1) **Reservation of a land at LOTUS RESIDENCE.** The buyer must select a land to purchase. Upon selecting a land, the Buyer and Seller shall sign the Offer to Purchase as contained in the Land Agreement and Building Agreement. The Owner shall furthermore also sign the Estate Management Agreement and mandatory Rental Program Agreement.
  - 2) **Proof of Financing** The Buyer will be required to provide evidence of how he intends to finance the total consideration of the building contract price of the selected Villa within 30 (thirty) days (normal) of the signing of the Land Agreement and Building Agreement.
  - 3) **Sale Agreement** Once the Buyer's offer has been accepted by the seller, provided proof of financing and paid the deposit, the Land Agreement and Building Agreement will be executed and handed over to the Transfer Attorneys for processing.
  - 4) **Progress Payments** The Buyer will be required to effect progress payments as per the schedule set out in the Building Agreement.
  - 5) **Occupation of the Villa** Upon practical completion of the villa, the Owner will be able to take occupancy of the Villa.
  - 6) **Completion of the Villa.** Following practical completion, the Owner will have a period of 1 (One) month to report any defects to the Developer, who will in turn have 12 months from that time to rectify any defects. At the end of this period, full completion will be achieved and the Owner will make the final payment on the residence.

## Section 2 – Land Agreement and Building Agreement

### Overview

The Land Agreement and Building Agreement sets out the detailed terms and conditions pertaining to the sale and building of the Villa at LOTUS RESIDENCE. These agreements also include the following annexures:

- Site Plan;
- Approved Diagram of the Land;
- Land Lease Agreement;
- Building Plans;
- Finishing Schedule; **Conditions** The Land Agreement and Building Agreement will become legally binding agreements upon signature of the English version thereof by the Buyer and the Seller. The deposit is due upon signature of the Land Agreement and Building Agreement, whilst the Buyer shall have 14 (fourteen) days (normal) to secure the building contract price. *Please see section 8 – Financing & Payment of the Villa for details on Deposit and payments.* In addition to the abovementioned conditions, this agreement is conditional on the Owner, where he/she is a FOREIGNERS, obtaining approval from the Government of Zanzibar to purchase the Villa. **Details of Owners** Owners are required to provide their contact details and any other information as requested by the Transfer Attorneys.

## Section 3 – Sale Agreement & Registration of the Title Deed

*Please refer to "offer to purchase" contained within the "Land Agreement and Building Agreement".*

### Execution of Sale Agreement

The execution of the Sale Agreement is subject to the following conditions:

- Approval by the Government of Zanzibar for non-Zanzibari buyers;
- Payment of the Deposit into the designated escrow account;
- Proof of financing for the total building contract price of the Unit. **Purchase Agreement Completion & Signature** The Sale Agreement must be signed by all parties before the Notary Public and/or Transfer Attorney Upon signature:

The Owner will be required to pay a total amount of land price selected. Non-refundable deposit to hold and confirm your Villa a deposit of 10 (ten) percent of the total building contract price.

Once the purchaser has complied with all his obligations in terms of the Land and Building Agreements:

- The necessary documentation will be submitted for registration with the Land Registry;
- The title deed will be registered in the name(s) of the Buyer(s).
- On registration of the title deed in the Land Registry, Owners will be eligible to apply for residency in Zanzibar, if they wish to do so.

**Section 4 – Re-sale and Residency Re-sale of the Villa** Buyers are permitted to re-sell their Villa under the following conditions:

- The Buyer must obtain permission from the Developer before selling their Villa to a third party;
- Should the Buyer wish to sell his Villa before Completion, then such Buyer must first offer the Villa to the Seller prior to submitting the offer to any third party. This offer will be open for acceptance by the Seller for 21 (twenty one) business days, after which, should the Seller not accept the offer, the Owner is free to offer the Villa to a third party.
- In the case of an on-sale the Buyer will be required to pay an administration fee of 3 (three) percent of the purchase price to the Seller. *Please see Section 9 – Taxes and Duties for taxes applicable to the re-sale of a Villa.*

## **Section 5 – KIWENGWA RESIDENCE Estate Management**

### **Overview**

Lotus Beach Villas Ltd will act as or appoint a Managing agent that will manage the LOTUS RESIDENCE. The Managing Agent will be responsible to manage and maintain the estate in a manner consistent. It is a condition of sale that Buyers sign the Lotus Beach Villas Estate Management Agreement and pay an annual Estate Management Fee to cover the costs related to the professional management and operation of the LOTUS RESIDENCE.

## **Estate Management Services**

The estate management services include all services related to the professional management and operation of LOTUS RESIDENCE and common areas.

The estate management services will also be responsible for the management, accounting and auditing of Annual operating budget and Owner's financial statements and invoices.

## **LOTUS RESIDENCE accounts and records**

- Reserve fund for minor replacement and maintenance of facilities;
- Estate Management Services;
- On-Site Management Services;
- External maintenance of residence;
- Cleaning of Residences as determined by management;
- Cleaning of pools;
- Intensive internal cleanings of each residence;
- Maintenance of all common property;
- Roads and gardens;
- Lighting;
- Operating equipment.

## **Management of all common property services such as:**

- Landscaping;
- Waste removal;
- Water/electricity readings;
- Minor improvements/renovations/repairs as required;
- Maintenance of supply of essential services;
- Electricity;
- Security;
- Water;
- Gas;
- Security intercoms;
- Cable (DSTV)

- Wireless
- Management of independent contractors required to work on the property
- Undertaking physical reviews of the property

In addition, the estate management service fee includes a reserve fund for the replacement and refurbishment of the facilities on an ongoing basis. This will ensure that LOTUS RESIDENCE and its facilities are maintained to world class standards.

### **Estate Management Fee**

All LOTUS RESIDENCE Owners will be required to pay an annual Estate Management Fee, which fee is due and payable regardless of the fact whether or not the Owner is in occupation of Villa or not.

The annual fee covers the professional management and operation of LOTUS RESIDENCE and commons areas as detailed above. Additional works not covered in the services stated above may be undertaken by the Owner subject to the Seller's approval prior to any work being undertaken. The Managing Agent will however be entitled to carry out authorised repairs and maintenance deemed to be necessary, without prior written approval from the Owner, for a sum up to US\$500 (five hundred dollars) per Villa

Owners will be invoiced on a quarterly basis (the first invoice will be issued the quarter prior to handover).

### **Estate Management Budget**

Costs related to the estate management will be budgeted in advance on an annual basis and will be independently audited before being fairly and equitably distributed amongst the Owners according to the size of their Villa. The Managing Agent will provide to all Owners, at least 45 (forty five) business days prior to completion, and before 31 December of each subsequent year, an estimation of the expenses anticipated for the following year, in the form of the estate management budget. Estate Management budgets will be compiled based on previous year's actuals, and will be audited prior to submission to Owners.

### **Rights of Access for the Manager**

- The Managing Agent will require access to the Villa in order to perform estate management related services and will notify the Owner(s) in advance of such access requirement.
- The Manager will require access for 21 (twenty one) days (not necessarily consecutive days) for any major repairs and maintenance: these days will be scheduled around the Owner(s) use request.

- Lessees will be notified in advance of any maintenance work scheduled. Times and the dates will be set by mutual consent.

## **Section 6 – Financing & Payment of the Unit**

### **Securing the Purchase Price**

It is a condition of sale that Buyers will secure payment of the building contract price by payment of the cash amount into the designated escrow account, or by way of the issue of a bank guarantee acceptable to the seller, within 14 (fourteen) days of signature of the Land Agreement and Building Agreement.

### **Deposit & Progress Payments**

- The Deposit is due on signature of the Land Agreement and Building Agreement. The Deposit covers all fees and duties (including sales agent fees, and government and stamp fees & duties, **but excludes legal fees such as transfer fees**) applicable to the purchasing of the residence, which amount to a total of 10 (ten) percent of the purchase price.
- Progress Payments: The below mentioned section "Payments Details & Schedule" provides a description of the deposit and each progress payment, together with their indicative schedule. As payments are linked to specific contractual steps and/or construction milestones, a detailed schedule applicable to the selected Unit will be provided following the signature of the Land Agreement and Building Agreement.

### **Payments Details & Schedule**

- 1) Total amount of land price selected. Non-refundable deposit to hold and confirm your Villa.
- . 2) 10% instalment when Contract is signed
- . 3) 20% instalment upon completion of foundation
- . 4) 30% upon completion of roofing
- . 5) 20% for furnishings
- . 6) 15% Practical Completion
- . 7) 5% Completion



The retention amount will be due at the end of the defects period, which starts on Practical Completion, upon which the Owner will have 3 (three) months to notify the Seller of any defects, which the Seller will have to rectify within 12 (twelve) months of being notified. The Architect will issue the Completion Certificate.

## **Payments**

All deposits and payments will need to be made in a convertible currency via an international bank transfer. Buyers will be notified of the account details.

## **Payments Notification**

Buyers will be notified by the Seller each time a payment is required. Buyers will be required to make payments within 7 (seven) days (normal) after receiving notification of a payment request.

## **Tax on Purchase and Resale of Property**

In this section "purchase" refers to the acquisition of a long term lease over a residence and "re-sale" refers to its subsequent sublease or assignment of sublease. Any sale and re-sale of property will attract a government tax of 3 (three) percent of the total purchase price

## **Capital Gain Tax**

Capital Gain Tax is currently at 20 (twenty) percent.

Proceeds from the sale of a Villa (which was not purchased as part of a profit-making scheme) may be subject to a Business Tax, except to the extent that depreciation has been allowed thereon (or rental income earned) if the Villa has been placed in a rental program.

## **Business tax**

Business tax is levied on all businesses whether undertaken by an individual, partnership or company. The rental of a VILLA will be considered a business and as such any profit on rental will be subject to business tax.