



# LEGALS & STRUCTURES

**FOR BEGINNERS**

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# PROPERTY INTRODUCTION

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Welcome to the world of property investing, where the potential for wealth creation is vast. In this book, we will explore why property stands out as a prime asset class and how leveraging Other People's Money (OPM) can amplify your investment returns. By the end, you will understand why property, when approached strategically, has the power to generate substantial wealth.

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## WHY PROPERTY?

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- **Tangible Asset:** one of the key advantages of property investment is the tangible nature of the asset. Unlike stocks or bonds, which are intangible, property provides a physical asset that you can see, touch, and control. This tangible nature offers a sense of security and stability to investors.
- **Potential for Appreciation:** property has historically shown a strong potential for long-term value appreciation. While short-term fluctuations may occur, over time, well-located and well-maintained properties tend to increase in value. This appreciation can result in significant wealth creation for investors.
- **Income Generation:** investing in rental properties allows investors to generate a steady stream of income. Rental income can provide a reliable cash flow that can supplement your primary income or even replace it entirely. This income can be used for further investment, debt reduction, or personal expenses.
- **Tax Benefits:** property investment often comes with various tax advantages. These may include deductions for mortgage interest, property taxes, depreciation, and expenses related to property management. These tax benefits can help reduce the overall tax liability and increase the net income from your property investments.
- **Portfolio Diversification:** property investment offers diversification benefits to an investment portfolio. By adding real estate assets to a portfolio that includes stocks, bonds, and other assets, investors can reduce the overall risk and volatility. Property tends to have a low correlation with other asset classes, making it an effective hedge against market fluctuations.
- **Inflation Hedge:** property investments have historically acted as a hedge against inflation. As the value of goods and services increases over time, property values and rental income tend to rise as well. This helps preserve the purchasing power of your investment in the face of inflationary pressures.

# LEGALS AND STRUCTURES

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In this e-book, we will delve into the intricacies of property legals, providing you with a comprehensive understanding of the legal aspects involved in property investing. Whether you are a seasoned investor or just starting your property journey, this module will equip you with the knowledge and tools to make informed decisions and mitigate potential legal risks.

Understanding property legals is crucial for any investor, as it forms the foundation for successful property transactions. Property investments involve substantial financial commitments, and the legal aspects surrounding these transactions can significantly impact the outcomes. From structuring your ownership entities to negotiating contracts and managing legal risks, having a solid understanding of property legals is key to protecting your interests, maximizing returns, and avoiding potential pitfalls.



## How this E-book will Benefit You

This e-book is designed to provide you with the knowledge, insights, and practical tools necessary to navigate the legal landscape of property investing with confidence.

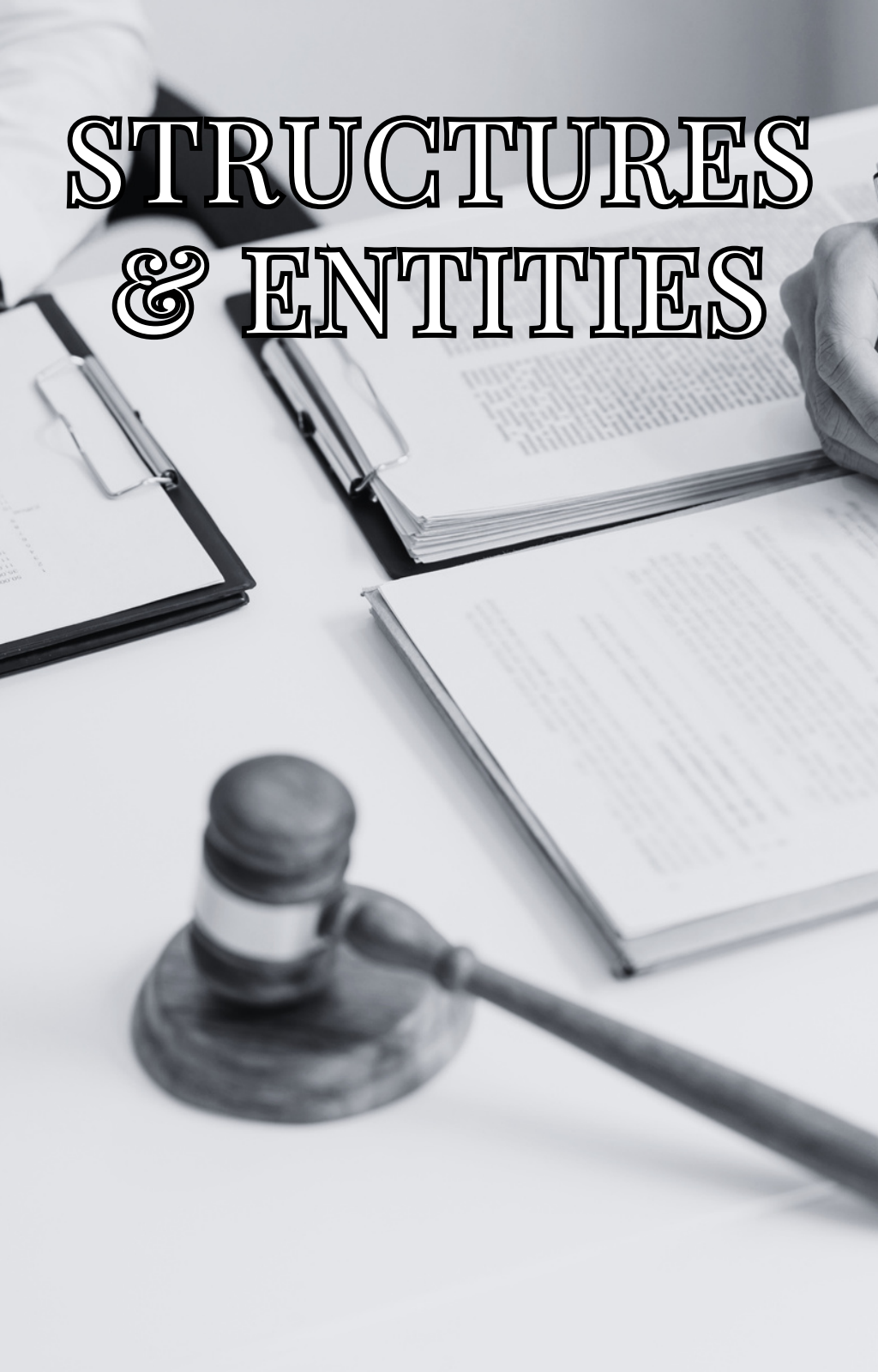


By the end, you will understand key legal concepts. Throughout the e-book, we will explore various topics, including ownership structures, tax considerations, legal agreements such as the Offer to Purchase (OTP), the role of attorneys, early occupation and eviction, loan agreements, and more. Each chapter will delve into specific areas of property legals, providing detailed explanations, practical examples, and expert insights.

Get ready to embark on a journey of mastering property legals and taking your property investing to new heights.

*Note: this e-book will provide in-depth theory coupled with case studies, and practical examples for each chapter to ensure a comprehensive understanding of property legals... but it is not a replacement for consulting an attorney to understand your rights.*

# STRUCTURES & ENTITIES



# 3 STRUCTURES

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What is better? Personal name, company Pty, and trusts, and examine their respective advantages and disadvantages. By understanding the implications of each structure, you will be able to make an informed decision that aligns with your investment goals and risk tolerance.

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## PROS AND CONS

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Different legal structures have a different set of pros and cons. Here are the main advantages and disadvantages of personal name, company Pty, and trusts as ownership structures for property investments.

### **Personal Name**

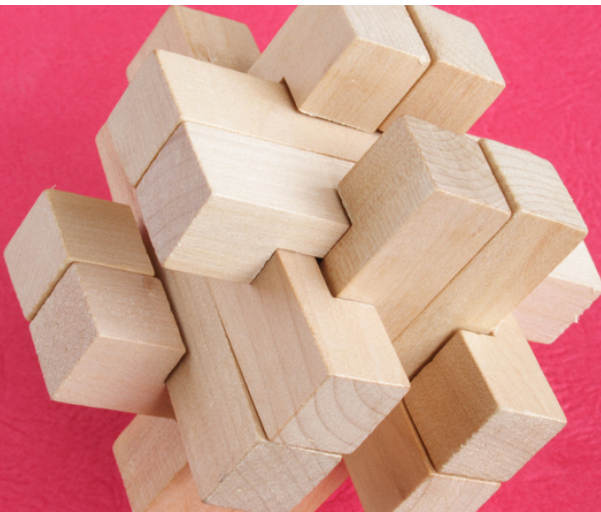
- Pros: Simplicity, Flexibility, Capital Gains Tax Exemptions
- Cons: Personal Liability, Limited Asset Protection, Tax Implications

### **Company Pty**

- Pros: Limited Liability, Tax Benefits, Flexibility
- Cons: Higher Administrative Burden, Cost, Limited Financing Options

### **Trusts**

- Pros: Asset Protection, Estate Planning, Tax Efficiency
- Cons: Complexity, Limited Control, Trustee Responsibilities



# TAX CONSIDERATIONS

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Tax considerations play a crucial role in property investing, and in this chapter, we will explore the key tax aspects that every investor should be aware of. We will discuss the different types of taxes applicable to property investments, including income tax, capital gains tax, stamp duty, and land tax. Understanding these tax obligations is essential for optimizing your investment returns and ensuring compliance with the tax laws.



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## 5 X TAXES

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- 1. Income Tax:** is levied on the taxable income generated from various sources, including rental income from properties. Property owners are required to report their rental income and expenses, and the net income is subject to income tax at the applicable tax rates.
- 2. Capital Gains Tax (CGT):** is applicable when you sell a property and make a capital gain. The tax is calculated on the profit made from the sale, which is the difference between the selling price and the original purchase price.
- 3. Transfer Duties:** are levied by the government when transferring property ownership. The amount payable is based on the value of the property being transferred and varies depending on the location.
- 4. Dividends Tax:** is a tax on dividends distributed by companies to shareholders.
- 5. Value Added Tax (VAT):** is a consumption tax levied on the sale of goods and services. In some cases, commercial property transactions may attract VAT, particularly when buying or leasing commercial properties.

# LEGAL AGREEMENTS





# AGREEMENTS

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Legal agreements are essential in property transactions to establish the rights and obligations of the parties involved. These agreements provide a framework for the purchase, sale, lease, or rental of properties and outline key terms and conditions. Examples of common legal agreements in property include sales agreements, lease agreements, rental agreements, and partnership agreements.

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## 3 KEY AGREEMENTS

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- **Legal Agreements:**

Legal agreements are essential in property transactions to establish the rights and obligations of the parties involved. These agreements provide a framework for the purchase, sale, lease, or rental of properties and outline key terms and conditions. Examples of common legal agreements in property include sales agreements, lease agreements, rental agreements, and partnership agreements.

- **OTP (Offer to Purchase):**

The Offer to Purchase (OTP) is a legally binding document that outlines the terms and conditions of a property sale. It includes details such as the purchase price, deposit, financing arrangements, suspensive conditions, and timelines. The OTP serves as an agreement between the buyer and seller and forms the basis for the property transfer process.

- **Early Occupation:**

Early occupation refers to the situation where a buyer takes possession of a property before the official transfer of ownership is completed. This arrangement may be agreed upon between the buyer and seller, allowing the buyer to occupy the property and potentially make improvements or renovations. Early occupation agreements outline the terms and conditions of this arrangement, including the responsibilities of both parties and any associated costs or risks.



# OFFER TO PURCHASE

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The Offer to Purchase (OTP) document is a crucial component of property transactions. It serves as a legally binding agreement between the buyer and the seller, outlining the terms and conditions of the property sale. The OTP document serves as the foundation of the property transaction. It outlines key details such as the purchase price, property description, parties involved, and any special conditions. The OTP provides legal certainty and protects the rights and obligations of both the buyer and the seller.

## **Suspensive Conditions:**

These are clauses included in the OTP that must be fulfilled for the sale to proceed. These conditions typically protect the buyer's interests and provide them with an opportunity to conduct due diligence and secure financing. Common suspensive conditions include obtaining bond approval, conducting a property inspection, or securing necessary permits or licenses. Suspensive conditions play a significant role in the purchase process. They provide the buyer with a period to fulfill certain requirements before the sale becomes binding. If the suspensive conditions are not met within the specified timeframe, the OTP may become null and void, allowing either party to terminate the agreement.

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## TERMS AND CONDITIONS

### **Examples of Suspensive Conditions in an Offer to Purchase (OTP) document:**

1. Financing Approval
2. Property Inspection
3. Sale of Existing Property
4. Zoning and Planning Approvals
5. Proof of Income and Expense
6. Satisfactory Valuation Report
7. Vacant Occupation
8. Furniture Included in Sale

# EVICCTIONS

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Evictions refer to the legal process of removing a tenant from a property. While it is an unfortunate and often sensitive matter, there are situations where landlords may need to initiate eviction proceedings due to various reasons, such as non-payment of rent, lease violations, or the expiration of a lease agreement.



The eviction process typically involves several steps. First, the landlord must provide the tenant with a written notice, specifying the reason for eviction and allowing a reasonable time for the tenant to rectify the issue, if applicable. If the tenant fails to comply, the landlord can proceed with filing an eviction lawsuit in the appropriate court. The court will review the case and, if the landlord's claims are substantiated, issue an eviction order.

It is important to note that the eviction process is governed by specific laws and regulations that vary from jurisdiction to jurisdiction. These laws aim to strike a balance between protecting the rights of tenants and safeguarding the interests of landlords. It is crucial for both parties to understand their rights and responsibilities to ensure a fair and legal eviction process.

Engaging the services of an experienced attorney specializing in landlord-tenant law can greatly assist landlords in navigating the eviction process smoothly and effectively. An attorney can provide guidance on the specific legal requirements, prepare the necessary documents, represent the landlord in court proceedings, and ensure compliance with all applicable laws.

Overall, understanding the eviction process is crucial for landlords to protect their property rights and address any issues that may arise with tenants. By following the proper legal procedures and seeking professional assistance when needed, landlords can handle evictions in a fair and lawful manner. Similarly, tenants should be aware of their rights and responsibilities to ensure a transparent and equitable resolution in the event of an eviction situation.

# FINANCE AGREEMENTS

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When it comes to financing property investments, there are various models and options available to investors.

**1. Traditional Loans:** also known as bank loans are one of the most common ways to finance property investments. They commonly have these legal agreements:

- a. Deed of Trust: a legal document securing the loan with the property as collateral.
- b. Loan Repayment: specify terms, interest rates, and penalties.

**2. Private Finance:** refers to obtaining funding from individuals or private investors rather than traditional financial institutions. They commonly have these legal agreements:

- a. Loan Agreement: legally binding terms, interest rates and repayment schedule.
- b. Collateral Declaration: determine collateral, such as property deed.

**3. Equity Partnerships:** involve collaborating with other individuals or entities to finance a property investment. They commonly have these legal agreements:

- a. Shareholders Agreement: define rights, responsibilities, profit-sharing, governance, and exit strategies.
- b. Contribution and Dividends: Establish each partner's investment, ownership percentage, and profit/loss sharing.
- c. Liability protection: Consider legal entities like LLCs or partnerships to limit personal liability.

Remember to always seek professional legal advice to navigate the legal complexities, comply with regulations, and protect the rights and obligations of all parties involved in each financing model.



# ATTORNEY



# CONVEYANCER

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Conveyancers play a vital role in the property industry, acting as legal professionals who specialize in property transactions. Their expertise and knowledge of property law are essential in ensuring that property transactions are legally sound and all parties involved are protected. In this section, we will delve into the role of conveyancers and the importance of their services in property transactions.



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## ATTORNEY ROLE

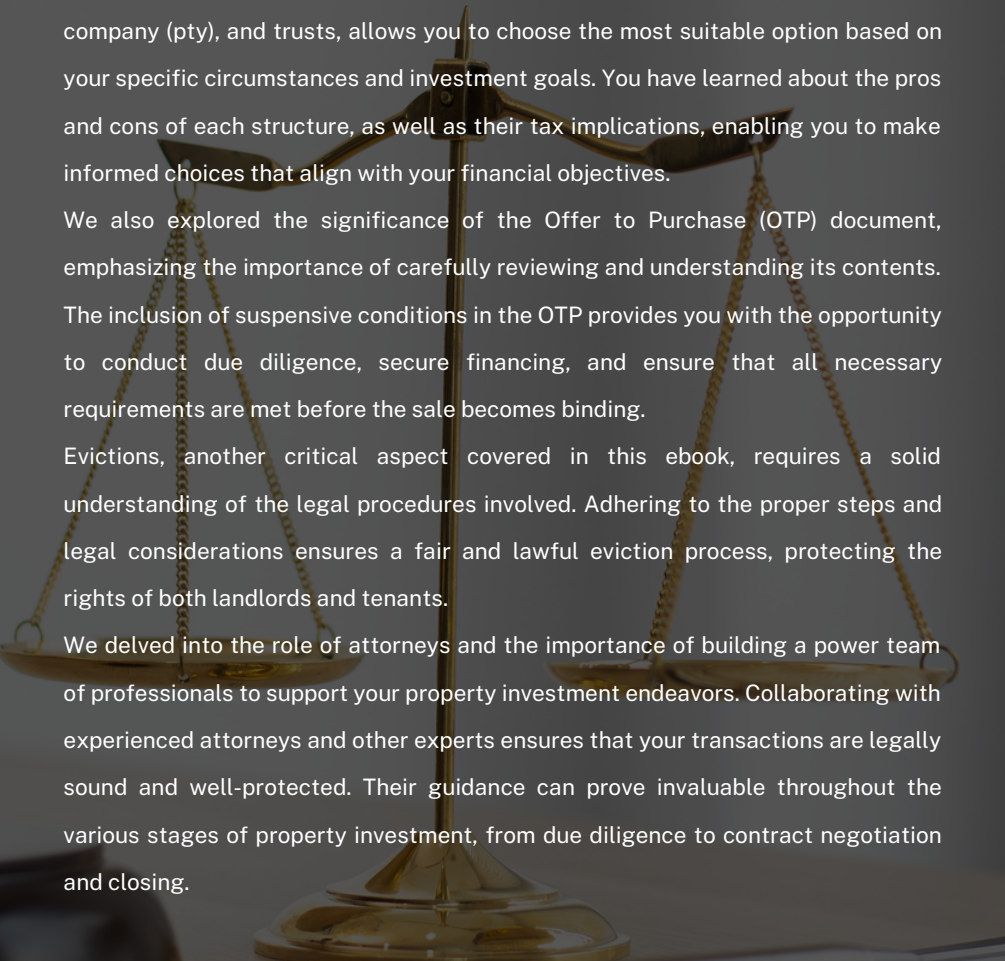
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A conveyancer's primary responsibility is to oversee the legal aspects of property transfers, ensuring that all necessary legal requirements are met and the transaction adheres to the applicable laws and regulations. They play a crucial role in safeguarding the interests of both buyers and sellers by conducting thorough due diligence, verifying property ownership, preparing and reviewing legal documents, and facilitating the transfer of property ownership.

Their role includes coordinating with various stakeholders such as real estate agents, financial institutions, government entities, and other relevant parties to ensure a smooth and efficient transfer of property.

Conveyancers are responsible for conducting title searches and investigations to uncover any potential encumbrances or restrictions on the property, such as liens, easements, or rights of way. They also assist in drafting and reviewing contracts, including the Offer to Purchase (OTP) and other legal agreements, to ensure that the terms and conditions are fair and legally binding.

Attorneys can have broader responsibilities beyond conveyancing. They may provide legal advice on property-related matters, including property development, commercial leasing, property disputes, and compliance with zoning and land use regulations. Attorneys specializing in property law are well-versed in the legal intricacies of the industry and can provide valuable guidance and representation in various legal matters related to property.



Throughout this guide, we have covered a wide range of topics, including legal structures, tax considerations, essential legal documents, and key processes involved in property transactions. By gaining a solid understanding of these legal aspects, you are better equipped to navigate the complexities of property investment and make informed decisions that protect your interests.

Understanding the various legal structures available, such as personal name, company (pty), and trusts, allows you to choose the most suitable option based on your specific circumstances and investment goals. You have learned about the pros and cons of each structure, as well as their tax implications, enabling you to make informed choices that align with your financial objectives.

We also explored the significance of the Offer to Purchase (OTP) document, emphasizing the importance of carefully reviewing and understanding its contents. The inclusion of suspensive conditions in the OTP provides you with the opportunity to conduct due diligence, secure financing, and ensure that all necessary requirements are met before the sale becomes binding.

Evictions, another critical aspect covered in this ebook, requires a solid understanding of the legal procedures involved. Adhering to the proper steps and legal considerations ensures a fair and lawful eviction process, protecting the rights of both landlords and tenants.

We delved into the role of attorneys and the importance of building a power team of professionals to support your property investment endeavors. Collaborating with experienced attorneys and other experts ensures that your transactions are legally sound and well-protected. Their guidance can prove invaluable throughout the various stages of property investment, from due diligence to contract negotiation and closing.

This ebook serves as a foundation for your understanding of the legal aspects in property investment. It is crucial to consult with legal professionals to ensure that your specific circumstances and local regulations are taken into account. Building a strong power team of experts, including attorneys, accountants, and real estate professionals, will provide ongoing support and guidance as you navigate the legal landscape of property investment.

# WANT TO LEARN MORE?

I hope you enjoyed this short e-book and learnt something new? If you want to take your knowledge to the next level, consider joining my Udemy course where I share the insider secrets and practical examples of scaling your business using Other People's Money. Whether you're a beginner looking to enter the property market or an experienced investor seeking to expand your portfolio, this course offers valuable guidance and tools to enhance your investment journey. Click the link below to learn more.

## [Navigating Legal & Tax Implications for Property Investors](#) [Unlocking the Secrets to Success in Property](#)



Course content	Percent
Section 1: Other People's Money	0 / 41 (0%)
Section 2: Cash vs Debt	0 / 51 (0%)
Section 3: Bank Finance	0 / 21 (0%)
Section 4: Private Finance	
Section 5: Creative Finance	
Section 6: Home vs Commercial Finance	
Section 7: Infinite Lending	
Section 8: Equity Release	
Section 9: Finding Investors	
Section 10: Installment Sales Agreement	

### About this course

Unlocking the Secrets to Legal Success in Property Investing

## What you'll learn

- ✓ Understand the benefits and drawbacks of different property ownership structures for effective asset protection and tax planning.
- ✓ Gain proficiency in interpreting and analyzing legal contracts, such as offer to purchase agreements, to ensure favorable terms and conditions.
- ✓ Develop a comprehensive understanding of the transfer process, timelines, and legal requirements for smooth property transactions.
- ✓ Acquire the knowledge and skills to navigate the eviction process and effectively deal with tenancy-related legal matters.
- ✓ Explore the intricacies of loan agreements and acknowledgment of debt to make informed borrowing decisions.
- ✓ Learn how to establish and manage successful joint ventures through comprehensive shareholders' agreements and collaborative strategies.