

# Properties in Spain

## Buying process and Maintenance costs



## **Buying process for properties in Spain**

### **What are the steps to be followed when buying a property in Spain?**

Once you have found your dream property and have agreed a price with the seller, the following steps are usually carried out:

#### **Reservation contract**

At the beginning of the buying process typically a reservation contract is drawn up.

This contract is a written offer. You fix the purchase price and the conditions for the purchase are set out in writing. The offer is limited in time until the purchase contract is signed.

Up to the moment of the private purchase contract the buyer usually secures his right to buy the property with a reservation deposit of 6000€ or according to individually set quantity.

#### **Private purchase contract**

Before the purchase contract, your lawyer will carry out a so-called legal and purchase diligence. This involves a complete legal and financial examination of the property.

In the private purchase contract, all details of the purchase are then determined, and the buyer pays approx. 10% of the purchase price.

#### **Applying for the tax number**

For the purchase of a property, as well as other bureaucratic steps, every buyer needs a Spanish identification number, NIE (número de identificación de extranjeros).

This number is essential only for non-Spanish people – Spanish people use the DNI (ID card) – and is necessarily needed to pay the taxes at the Spanish tax office.

You apply for your NIE at the local police station with foreigner's department.

We are happy to help our clients to apply for the NIE.

#### **Opening a bank account**

The purchase of a property must be paid from a Spanish bank account. Having a Spanish bank account is of great practical value, for example for paying your maintenance costs.

Therefore, you should plan on time to open a bank account in Spain.



### **Public Contract/Escritura Publica**

The public contract (Escritura Publica de Compraventa) is drawn up in the presence of a public notary, signed and is therefore legally valid.

With the contract in notary the remaining amount of the purchase price is paid with a bank cheque and in return the new owner receives the keys and is registered as the owner in the “Escritura”, the official contract of sale – the title deeds.

### **Payment of all applicable taxes**

Following the public purchase agreement, the new owner is obliged to pay all necessary taxes. This is usually done by your lawyer.

### **Entry in the Land Registry.**

With the new Escritura, the buyer is now recorded in the land register as the owner of the property and is a registered owner with title-deeds.

## **Buying costs for properties in Spain**

### **Which costs do I have to pay purchasing a property in Spain?**

The additional costs when buying a property range from 10-13% of the purchase price. If you finance the purchase with a mortgage, you can expect 13-15% in additional costs.

The additional purchase costs consist of the following taxes and expenses:

### **Value added tax (VAT)/Impuesto sobre el Valor Añadido (IVA)**

When buying a new property directly from the builders, the value-added tax is incurred in Spain. The VAT (IVA) on a property is at 10% of the purchase price.

### **Property transfer tax/Impuesto de Transmisiones Patrimoniales (ITP)**

If you buy a property from a private person, there is no value added tax, but a property transfer tax to pay.

Since 2012, this tax is graduated as follows: The first €400,000 is taxed at 8%, that part of the purchase price that is over €400,000 and under €700,000 is taxed at 9% and everything over €700,000 is taxed at 10%.

### **Value added tax on building plots**

In Spain, VAT is applied to building land.

The tax on the purchase of a building plot corresponds to 21% of the sales price of that land.

### **Stamp duty/Impuestos de Actos Jurídicos Documentados**

Stamp duty is payable when you buy a newly constructed property or when you take out a mortgage to finance a property. The stamp duty is 1.5% for new buildings.

### **Notary fees**

The title-deeds of a property in Spain must be authenticated by a public notary. The notary fees depend on the size of the property. The final notary fees are not fixed until date of completion in notary but are always less than 1% of the purchase value.

### **Land registry fees**

According to the notary contract, the property must be registered in the land registry on the name of the new owner.

There are fees of about 0.5% of the purchase price.



### **Legal fees**

We recommend that our clients pursue the advice of an independent lawyer. A lawyer will represent your interests.

The functions of a lawyer are as follows: He reviews all the necessary purchase documents, drafts the sales contract and the notarial contract and is available to answer any questions you may have.

A lawyer guarantees you a safe and legal purchase.

As a standard, the fee is 1% of the purchase price.

At VILLA ONE we collaborate with the best law firms in Marbella.

### **Real estate agent's fees**

Brokerage fees in Spain are usually paid by the seller.

## **Service charges for properties in Spain**

### **Which annual expenses relate to the possession of a property in Spain?**

With the purchase of a property the following additional annual costs are incurred by the buyer:

#### **Property tax/ Impuesto de bienes inmuebles (IBI)**

The property tax is paid once a year to the municipality.

It is levied on the cadastral value of the property in the land register and depends on the size of the municipality. Usually, the IBI is paid every year between June and September.

#### **Community fees/Gastos de Comunidad**

If a property belongs to a residential community, the costs for running the community will be charged owners distributed.

The amount to be paid for each property depends on the size of the community, the comparable size of your property and the facilities that the community has.

Generally, these are the swimming pool, the communal gardens, the employees, the lifts and other facilities.

#### **Waste disposal/Basura**

Every owner must pay his share of the garbage disposal. Normally this tax is collected annually together with the property tax (IBI).

#### **Electricity/water/gas/telephone**

These costs depend on the individual consumption of the owner.

The real costs are in a comparable European level.

#### **Income tax**

All property owners in Spain must present an annual income tax return. This also applies to non-residents, meaning that the property is only used as a holiday home.

The income taxes in Spain refer to the use of the property. Therefore, a fictitious rental income, based on the cadastral value, is being calculated.

This declaration must be submitted at the end of the following year. Your lawyer will be happy to help you with an application.



Avda. Ricardo Soriano, 72, Edif. Golden B, 1ª Planta, (29601) Marbella, Málaga, España.  
+34 687 83 44 03 | [info@villaone.es](mailto:info@villaone.es) | [www.villaone.es](http://www.villaone.es)