



Reservaton Deposit and Contract

Once you have found the right property, the purchase process begins with a reservation agreement, which takes the property off the market and also “freezes” the purchase price. The deposit to be paid at this stage is between 3,000 and 12,000 Euros. Before arriving in Spain, ensure you have funds available. The best way to pay the reservation fee is by credit card or transfer. It is not advisable to pay by cheque, especially if drawn on a foreign bank account, as it can take approximately 14 days to clear at a Spanish bank. Such a delay could cost you your property.

Exchange of private contracts

Within approximately 14 days of signing the reservation agreement, the private purchase contract is to be signed between the buyer and the seller (or their authorized representatives). During this time, the lawyer should have completed the investigations and searches in relation to the property and will have arranged with the seller the procedure for cancellation of any outstanding debts. It is customary practice at this point to pay between 10 to 50 % of the purchase price. Funds can be lodged in your own Spanish bank account and your lawyer can arrange for an account to be opened for you Or on your lawyer’s escrow account.

Formal completion and exchange at the Notary

A property sale is formally completed in Spain when the title deed (escritura de compraventa) is signed before a Public Notary in Spain, the agreed final payment is made and possession of the property is passed to the new owner. In the case of new builds, it can take up to 18 months before completion and usually payments are in stages of two to four months, for example by bankers draft, cheques from a Spanish bank account or bank transfer.

Registration

Once the title deed is signed, the notary will fax a copy of it to the local land registry. Your lawyer will pay on your behalf all the relevant transfer taxes and will deal with the formalities of registration of your title deed. Final registration of the title deed may take several months. Your lawyer will arrange for the transfer of the utility service accounts, such as water and electricity, to your Spanish bank account.

Purchasing a property on a new development

When purchasing a property on a new development, the developer should provide bank guarantees against each payment made on account of the purchase price. Many developers offer these bank guarantees free of charge whilst others make a percentage charge. A bank guarantee protects your payments. In the unlikely event that the developer fails to complete the property, it will go into liquidation or where they fail to complete on time and you do not wish to wait, all funds will be returned in full. New property is handed over without water and electricity connection. This can however, be arranged by a lawyer. Connection of such services can take up to four weeks following completion. Therefore, we suggest that you do not make any plans to use the property during that period. Under Spanish law, the developer will issue you with a liability construction guarantee.

Costs

There are in principle three fees and one tax to pay when purchasing property in Spain. You should budget that the costs involved purchasing a property in Spain are approximately 11-14% of the purchase price. If you have a mortgage there is an additional cost of approximately 2% of the property purchase price.

The fees

- 1) Legal fees: The legal fee depends on the service you require, plus VAT (IVA) currently charged at 21%. We have a transparent fee structure with clear advice of any charges and fees.
- 2) Notary fees: the notary charges according to a fixed scale, depending upon the official value of the property. The charges may range from 300 to 1200 Euros.
- 3) Property Registry: Generally 60-80% of the notary fee.

The taxes

- 1) On a resale property, Transfer Tax (ITP) at 8% is applicable on purchases up to 400.000 Euros, from 400.000 Euros up to 700.000 Euros the rate is 9%, and from 700.000 Euros the rate changes to 10% , which is payable upon completion. Example: Purchase price of 450.000 Euros; then you pay 8% of 400.000 Euros and 9% of 50.000 Euros. The transfer tax has to be paid after completion. When buying from a developer, you will pay VAT (IVA) at 10% which is payable with each instalment, plus Stamp duty at 1,5 % of the property price. A VAT rate of 21% is applicable when buying commercial premises, plots of land or garage spaces.

Other costs to bear in mind are as follows:

- Change of utility contracts and organising their payment by direct debit
- Fiscal representation
- Community representation
- Wills
- Insurance
- Water and electricity connection charges
- NIE number This is the Spanish Tax number which will be requested by the notary in order to sign the title deed.
- Power of Attorney You should provide your lawyer with a power of attorney in order to act on your behalf with regards to your purchase.

Bear in mind Annual Property Costs:

- 1) Community fees
- 2) Local Real Estate Tax (IBI)
- 3) Annual Income Tax (non resident tax)
- 4) Utility Services
- 5) Insurance