



## Property purchase in Spain

### General Guidelines

Spain has long been a favourite relocation destination for UK citizens. It is estimated that now over 500,000 own a property there. If you are about to take this route, here are some points that you should consider.

#### 1. Costs

- Unlike Italy or France, the purchaser does not normally pay the estate agents' fees.
- Legal fees are usually between 1% and 1.5% of the purchase price, plus 16% VAT (called IVA).
- Notary fees are fixed by law and normally in the range of 300 to 1,000 Euros.
- The Registry fee is set at approximately 80% of notary fees.
- Transfer tax is chargeable at 6% of the purchase price, on pre-owned property.
- New developments are charged at 7% IVA, plus 0.5% stamp duty.
- *Plus Valia* is a local municipal tax and is based on the officially assessed increase in the value of the land since the last time the property changed hands. You can find out the exact amount that will become due from the town hall.

#### 2. Local Taxes

There are three main local taxes.

- *Impuesto sobre la renta de las personas físicas* (IRPF) and applies to all non-residents. The local town hall will charge you according to the rateable value of the your property (known as the *catastral*). They assume you're making 2% of this value each year from letting your property and charge you 25% of that "income"
- The IBI tax (*impuesto bienes sobre inmuebles*) is like UK council tax and usually includes rubbish collection although this is sometimes charged separately. It can vary from under £100 a year in isolated rural areas to more than £1,000 a year in the most exclusive coastal developments.
- Non residents are also liable to wealth tax (*impuesto sobre patrimonio*), on any assets in Spain (primarily property). For assets totalling less than 160,000 Euros, the tax is 0.2%.



### 3. The property purchase process.

The first step is to make a verbal offer through your agent. Once a price is agreed you should appoint a lawyer (Abogado) to formalise the agreement.

The second step is normally to obtain from the property registry a *nota simple* which will identify the registered owner and provide details of mortgages or liabilities registered against the property.

Your Lawyer should obtain from the seller receipts for payment of IBI (*impuestos sobre bienes inmuebles*), the annual real estate tax. These will show the *valor catastral*, the assessed value of the property on which your property income tax will be based.

When purchasing a new property request a copy of the *declaracion de obra nueva*, a statement that this is a new-built home, or the *declaracion de alteracion de bienes naturaleza urbana*, which certifies that the property has been rebuilt.

Once the *nota simple* has been checked you will be asked to pay a small holding deposit to reserve the property until you can complete the purchase. Your lawyer will prepare a formal offer and agreement contract for this purpose.

The exchange of contracts would normally take place within a month of the formal acceptance of an offer, when the lawyer would have completed his searches. The contract would set out all the agreed terms and set a date for completion. It is usual for the buyer to make up the deposit to 10% at this stage.

Any buyer that subsequently withdraws from the purchase after signing the agreement loses any deposit paid. If the seller changes his mind, he will normally have to pay twice the amount, subject to the wording within the agreement

On the agreed day, buyer and seller (or their authorised representatives) will attend the office of the notary, to sign the *escritura de compraventa* (the title deed). This should state that the property is sold free of charges, mortgages and tenants. The notary, who does not check the terms, then certifies that the parties have agreed to them. Following this action the balance of the payment is made and possession is given to the buyer.

Your lawyer will arrange payment of taxes and fees, and register your title deed at the property registry. This should be done promptly. All property in Spain is registered in the *Registro de Propiedad* that denotes who owns the property, its exact size and if there are any mortgages on it. Only the people named on the title deed have the right to sell the property.



#### **4. Mortgages**

A Spanish mortgage will normally fund up to 70% of the value of your property on a capital repayment basis, usually over a maximum term of 20 years. Most of the high street Banks in the UK now offer mortgages on Spanish property purchases. These can be in either euros or sterling. Please ensure that you get qualified financial advice before proceeding. We would recommend using an Independent Financial Adviser (IFA) for this purpose.

#### **5. Renting out**

You are liable to Spanish income tax on any income arising from rentals. If you are a resident, you should declare your rental income as part of your earnings and you will be taxed at your normal income tax rate. If you are a non-resident, you will be assessed for tax on income arising in Spain at the flat rate of 25%.

There is a “double taxation” agreement with the UK, which means you are liable only to one set of taxes. You would be advised to seek expert advice on this.

#### **6. Documentation**

For pre-owned property, the seller should provide the following documents:-

- The title deed of the property
- Receipt of payment of the real estate tax for the last year
- Receipt of payment of the tax on the increased value of the land
- State that any community charges have been paid up to date
- Domestic bills so that you can take over the services such as electricity and water

The agent or developer of a new property should provide :-

- Deed of declaration of new construction
- Occupancy permit
- Certificate of rateable value of the property



## **7. Make a Will in Spain**

Buyers are advised to write a Spanish Will because the Spanish authorities will not recognise an English Will for inheritance purposes. Ensure that your UK Will and the Spanish Will do not contradict each other.

Upon disposing of the property, capital gains tax will be charged on any profit. This is now 18% for both non-residents and residents.

A further concession for residents is that if you are over the age of 65 and have lived in your property for at least three years, you are exempt from capital gains tax.

Those who are over 60 years of age and who have lived in the property for at least three years can bequeath the property to a spouse or children and avoid paying inheritance tax on 95% of the valuation. However, the inheritor must also be a resident of Spain and must agree not to sell the property for at least 10 years.

## **Important Notice**

**Whilst every effort has been made to ensure that any information or advice given here is accurate – we can take no responsibilities for the completeness or accuracy of any statement or part thereof.**

**This information is provided on the strict understanding that it is simply imparting general information and should not be taken as applying to any particular property or situation.**

**It is essential that you seek qualified specialist advice on all aspects of Spanish property purchase, ownership and subsequent disposal before embarking on any undertaking.**

**We are not qualified to give such advice.**

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