

HOW TO BUY IN SPAIN



JOHN TAYLOR

LUXURY REAL ESTATE SINCE 1864

JUNE. 2017

Get your Foreigner's Identity Number

If you want to conduct any business or financial transactions in Spain, including purchasing a house or opening a bank account, you'll need a Número de Identificación de Extranjero (NIE).

- EU citizens will automatically get one when they register.
- Citizens with other nationalities must first register and get a residence permit.
- You may be able to apply for an NIE at the Spanish embassy in your home country.

Set up your accounts. You'll need a Spanish bank account if you want to buy property in Spain. Most sellers will only accept checks drawn on Spanish banks and payable in Euros.

Hire a translator

Even if you consider yourself fluent in Spanish, legal documents can be especially difficult. Having these documents translated into your native language so you understand the deal.

- Check the website of the Spanish Ministry of Foreign Affairs to find a list of accredited translators.

Negotiate an agreement

Contrato de Arras is a private agreement between both parties. When both parties have agreed on a price, you must proof that the seller owns the property and that it is free of charges. As a buyer, you are advised to check the deeds in the Registro de la Propiedad (Property Registry) and to check for any outstanding mortgages in order to cancel before notary. A Nota Simple will confirm this.

- The contract includes deadlines for various steps of the process to be completed. For example, if you've not yet secured financing, the contract may specify a date by which you must have a mortgage for the property.
- When you sign the Contrato de Arras, you'll have to make your initial deposit, typically of around 10 percent of the total purchase price of the home.

Apply for a mortgage

Unless you're buying the property for cash, you'll need to finance your purchase. You can do so by taking out a home equity loan on existing property you own, setting up a mortgage in your home country, or arranging for a mortgage with a Spanish lender. Ask your Real Estate Agency for help, they can do recommendations to you.

Notary

In Spain, the notary is a public official and is required to witness the deed of sale. The notary prepares the official contracts and makes sure they comply with Spanish regulations. You pay the balance of the purchase price and all fees when you and the seller have signed the Escritura de compraventa, the definitive contract equivalent to the Deeds of the property. If you are buying a new property, you do not own the property until the work is completed, and you are in receipt of relevant certificates.

- Normally the notary will be chosen by the buyer.

Register the property

In Spain, all property transactions should be registered with the local registry office. The notary you used for closing may provide this service for a fee.

- The cost of registration and notary services together typically ranges from 0.5 percent to 1 percent of the sale price of your property and is paid by the buyer.

Compute property taxes

As a buyer of property in Spain there are a number of costs and taxes over and above the property price that you will have to pay. Depending upon whether you are buying a new property from a developer, or a resale property from a private individual, you will either have to pay VAT & Stamp Duty, or a transfer tax.

What are the costs involved in buying/owning/selling a property in Spain?

Costs associated with buying a new home from a developer

These are the costs you will face when buying a new home in Spain from a developer.

VAT & Stamp Duty (IVA & Actos Jurídicos Documentados – AJD)

These taxes apply for residential properties being sold for the first time, or for any commercial properties and plots of land. This is a national tax, so VAT is the same wherever the property is located (with the exception of the Canaries, which have their own version of VAT).

At present VAT (known as IVA in Spain) is 10% on the purchase price of residential properties, and 21% for commercial properties and plots of land.

VAT on new homes in the Canaries is known as IGIC (Impuesto General Indirecto Canario), and currently stands at 4.5%

The Stamp duty (known as AJD) is 1% of the price of the purchase, but might go up in some regions, so be sure to check on the latest rate.

Both VAT and Stamp Duty are paid by the buyer, and if any deposit is paid before completion of the sale, such deposit will be subject to VAT at the moment of payment of this deposit. In this scenario there is no transfer tax to pay.

Costs associated with buying a resale home in Spain

These are the costs you will face when buying a Spanish property that has been sold before.

Spanish Transfer Tax (Impuesto sobre Transmisiones Patrimoniales – ITP)

This tax applies if the property is deemed to be a second or posterior transfer, and is paid by the buyer. If any deposit is paid before completion of the sale it is not subject to ITP pro rata. However the full amount of ITP still has to be paid upon completion. In this scenario there is no VAT to pay, and stamp duty is already included in this tax.

The Transfer Tax rate is ceded to the autonomous regions, which can choose to apply the general rate, or their own rate.

The general rule of ITP is 7%, but many of the autonomous regions have applied their own local rates. The rate you pay depends upon the autonomous region where you buy.

Income tax provision when buying from non-residents

If the seller is not resident in Spain, the buyer has to withhold 3% of the purchase price and pay it to the tax authorities (application form 211). If this is not done the property will be considered by the tax authorities as the asset backing the capital gains tax liability of the seller. This condition is very unlikely to apply when purchasing from a developer.

Costs associated with both new build and resale property

These are the additional expenses you are likely to face when buying any property in Spain, regardless of whether the property is new or not.

Estate agency Fees

Estate agency fees or commissions are paid by the seller, unless otherwise agreed. Despite the ability of the internet to bring together buyers and sellers without the need for an agent most people still use agents to find property in Spain. However you should be aware that agents charge between 3% and 15% of the sale price, depending upon the region and type of property. Unless the buyer has specifically agreed to pay the agent's fee this cost will be built into the sale price.

Legal Fees

You are strongly advised to hire a lawyer to help you during the buying process. Your lawyer drafts and reviews contracts on your behalf and can explain all the legal and administrative issues you face. A lawyer – Abogado in Spanish – will charge you according to the service you require. This will vary according to the complexity of the purchase.

Spanish mortgage costs

If you choose to buy with a mortgage then this will incur several additional costs. First there will be the property valuation that the mortgage provider will require before granting the mortgage. This is paid by the buyer and can cost around 500 Euros. Then there will be the costs of the mortgage itself. This varies according to the provider, and even according to the particular branch.

Spanish notary costs

Notary expenses are nearly always paid by the buyer and are calculated in relation to the purchase price declared in the deeds of sale. To be on the safe side you should calculate Notary fees as being 1% of the purchase price declared in the deeds of sale.

Spanish Land Registry Inscription Fees

Expenses related to inscribing the sale with the land registry are also nearly always paid by the buyer, and are calculated in relation to the purchase price declared in the deeds of sale. To be on the safe side you should calculate 1% of the purchase price declared in the deeds.

Other costs associated with owning a property in Spain

Though not strictly transaction costs like fees and taxes, there are other costs to bear in mind when buying a home in Spain.

Property Ownership Tax (Impuesto Sobre Bienes Inmuebles – IBI)

A local tax on the ownership of property in Spain, irrespective of whether the owner is a resident or not. Calculated on the basis of the valor catastral (an administrative value that is usually lower than the market value, sometimes considerably so) set by the town hall the tax rate goes from 0.4% – 1.1% of the valor catastral depending on the Spanish region.

Community Fees

Owners of property that is part of any development, building, or complex in which common zones are shared with other owners are by law obliged to be members of the community of owners, known as the Comunidad de Propietarios. This will entail paying community fees for the upkeep of the common areas, and any other services that the community vote for. The fees will vary according to the magnitude of the common areas, the costs of maintaining them, and the services that the community vote for.

Costs to bear in mind when selling a property in Spain

Plusvalía municipal tax

A special reference should be made to the local/municipal capital gains tax - known as Plusvalía. This is a local / municipal tax that only applies to the increase in value of the land upon which urban properties are built, and that is levied at the time of transfer of such properties. It is calculated on the basis of the valor catastral (an administrative value that is usually lower than the market value, sometimes considerably so) of the property. The amount to be paid will depend on how long the seller has owned the property: the longer the period of time during which the seller has owned the property, the higher the amount of tax.

When the vendor is a non-resident, the law states the buyer is liable for this tax, even if the parties have agreed that the vendor will pay. So when you buy a property in Spain, especially from a non-resident vendor, make sure you or your lawyer checks that the Plusvalía Municipal has been paid by the vendor within 30 days of the sale.

The safest way to play this, from a buyer point of view, is to agree to pay this tax using funds deducted from the agreed sale price. That way the buyer can be sure the Plusvalía has been paid. This is particularly relevant when buying from a vendor who does not live in Spain (non-resident).

Capital gains tax

Spanish capital gains tax rates on property and other assets

If the vendor is a non-resident, there is also a Spanish withholding tax retention, which the buyer pays directly to the tax authorities, to cover the vendor's capital gains liability

When buying property in Spain, always keep digital and hard copies of all invoices related to your purchase. Likewise, if you ever do building work on the property once you own it, keep copies of all licences and invoices. You may be able to offset these expenses against capital gains when you sell, and so reduce your Spanish capital gains tax on property sales.

Getting a Residencial Visa

Find out if you need a visa

How long you plan to stay will in many cases determine whether you need a visa. Generally, if you want to stay in Spain for more than 90 days you will need a visa.

If you are a citizen of the European Union (EU), the European Economic Area (EEA), or Switzerland, you do not need a visa to live or work in Spain, regardless of how long you plan to stay.

Choose the right type of visa

You will need a different type of visa depending on whether you plan to work in Spain and how long you plan to live there. If you want to retire to Spain and live in the property you've bought, you'll need a different type of visa.

A resident visa to retire in Spain allows you to live in Spain without working. To qualify for one, you'll need a valid passport, proof that you have adequate financial resources and a medical certificate from your doctor.

If you want to work, you must first get hired by a Spanish company. The company will contact the Spanish Immigration Office to get a letter of approval.

You also may be eligible for a "Golden Visa", available for investors and self-employed people. If the property you bought in Spain is worth more than \$500,000, this would potentially qualify you for the fast-track visa.

Complete a visa application

You must complete and submit your visa application in person, either at an immigration office in Spain or at one of the consular offices abroad.

You may be required to have original documents translated into Spanish.

Apply for permanent residence

If you want to make Spain your home, you can apply for permanent residency after you've lived there continuously for five years. With permanent residency, you can stay in Spain indefinitely and enjoy the same benefits as Spanish citizens.

If you decide you want to be a full citizen of Spain, you can apply for Spanish nationality after having lived there continuously for 10 years.



JOHN TAYLOR

LUXURY REAL ESTATE SINCE 1864

THE GREATEST TRANSACTIONS
ALWAYS BEAR THE SAME SIGNATURE



JOHN TAYLOR SPAIN
Calle Lagasca 65
28001 Madrid
Tel.: +34 917 810 691
madrid@john-taylor.com