

Marbella
luxury homes



Guide to buying a property in Spain
Your Home Partner



BUYING STEPS

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The steps of buying a property

1 FORMAL OFFER AND GOOD FAITH DEPOSIT

The first step when you find a property that you want to buy is formulating an offer in writing and putting down a good faith deposit. This deposit is held by the real estate agency and the amount varies depending on the property price as well as other factors.

Your Sales Agent can advise you of the exact amount, based on the property of interest. If your formal offer is accepted and signed by the Seller then it becomes a reservation agreement and the property is taken off the market.

The reservation agreement will provide conditions and timelines for the next contract.

We always advise our clients to use a solicitor for the purchase and can recommend suitable lawyers who speak your language.

1 FORMAL OFFER AND PRIVATE PURCHASE CONTRACT (CONTRATO PRIVADO DE COMPRAVENTA)

This is a simple agreement between the Buyer and the Seller in which the Seller agrees to sell the property and the Buyer agrees to buy the property at the price agreed.

The Private Arras Contract (Contrato privado de arras) will contain all the relevant details such as a description of the property, the purchase price, the payment structure and the completion date.

At this stage the Buyer will be expected to make a downpayment, which is normally paid to the Seller's bank account and is usually 10% of the agreed purchase price, but this amount can vary.

Within the Private Arras Contract (Private Down Payment Contract) there will usually be a clause that states that if the seller withdraws from the sale of the property, he must compensate the buyer with double the amount of the down payment. If on the other hand the buyer withdraws from the contract the down payment is lost in full.

Prior to entering the contract, due diligence checks will be carried out regarding legal and technical details for the specific property.

2 COMPLETION OF THE PUBLIC DEED OF CONVEYANCE

On the completion date the balance of the purchase price (sales price minus any amounts paid to date) must be paid.

The Seller and Buyer then sign the Public Deed of Conveyance (Escritura de compraventa), which is equivalent to the title deeds of the property.

The Buyer is then issued with the Public Deed of Conveyance in front of a Notary Public, who certifies the property transfer, A copy of the Public Deed of Conveyance will be passed to the Spanish Tax Office and on to the Property Registry.

The Notary Public in Spain is a public official who is required to witness the deed of sale. However, an expert and an independent legal advisor should be used to protect your own interests.





What are the costs involved on purchase?

1 WHEN BUYING A NEW BUILD PROPERTY FROM A DEVELOPER

VAT (IVA, Impuesto sobre Valor Añadido) and Stamp Duty (AJD, Actos Jurídicos Documentados) apply.

VAT and Stamp Duty are applicable for residential properties that have never previously been occupied and building plots of land. VAT is a national tax that does not vary depending on the property's location (with the exception of the Canary Islands). At present VAT is 10% of the purchase price for new residential properties (villas, apartments etc) and 21% for building plots of land. Stamp Duty is a percentage of the purchase price. This varies depending on the autonomous region where you buy, between 0.5% and 1.5% .

2 WHEN BUYING A RESALE PROPERTY FROM A PRIVATE INDIVIDUAL

Transfer Tax (ITP, Impuesto sobre Transmisiones Patrimoniales) applies. This tax applies if it is a resale property that has been

used before. The general ITP rate varies from region to region, between 6% and 11% .

3 SOLICITOR'S FEES

It is not obligatory by law to seek legal assistance for a property purchase but it is strongly recommended to do so.

The fees can vary due to the amount of work required by the solicitor. For more information you can contact our Marbella Tax & Legal department which can assist you with all the legal services.

4 NOTARY PUBLIC'S FEES AND LAND REGISTRY FEES

The fees vary depending on the purchase price and complexity of the deed.

1 LOCAL TAXES

Local taxes are calculated on the cadastral value (valor catastral) of the land assigned by the Spanish Tax Office.

It is advisable to ascertain annual local rates for a property before purchase as this differs depending on the region.

Your Sales Agent can advise you of the exact fees for a specific property.

2 COMMUNITY FEES

Community fees are only applicable when purchasing an apartment or a terraced house within a community of neighbours, not when purchasing a detached house.

Community fees are paid monthly or quarterly and depend on the expenses of the community of the property (which may include expenses for a concierge service, lift maintenance, cleaning, gardening etc). Your Sales Agent can advise you of the exact fees for a specific property.

3 NON-RESIDENT INCOME TAX (IRNR, IMPUESTO SOBRE LA RENTA DE NO-RESIDENTES)

Non-resident income tax in Spain is paid if you are not a tax resident in Spain and applies if you own a property in Spain.

3.1 THE PROPERTY IS EXCLUSIVELY FOR PERSONAL USE AND YOU DO NOT RENT IT OUT

Although you do not earn an income from the property, in the eyes of the Spanish tax authorities you still derive a benefit from owning a property in Spain and therefore have to pay an imputed annual income tax. The base for the applicable tax rate is generally 1.1% to 2% of the cadastral value of the property. The cadastral value of the property is much lower than the commercial value. The tax rate is 19% for EU residents and 24% for non-EU residents.

3.2 YOU RENT OUT THE PROPERTY AND THEREFORE PAY TAX FOR THE PERIODS DURING WHICH IT IS RENTED

The base for the applicable tax rate is the income that you receive from renting out the property. Various costs can be deducted if you are a tax resident in the European Union. For example, possible applicable deductions include costs for property management and the maintenance of the property. If you have no other source of taxable income in Spain the tax rate is 19% for EU residents and 24% for non-EU residents. For more info about applicable TAX rate please contact our Tax&Legal department at info@marbellaluxuryhomes.es





Administrative Requirements

5 PRIOR TO COMPLETION NON-SPANISH BUYERS WILL NEED A SPANISH NIE (TAX IDENTIFICATION NUMBER) AND A BANK ACCOUNT IN SPAIN

You are required to obtain a Spanish NIE (Número de Identidad de Extranjero), a tax identification number. The NIE can be obtained and organised through a Power of Attorney if you do not have time to attend an appointment and collect all the required documentation. It is best that you do this at the very beginning of your property search to avoid unnecessary delays or missing out on specific properties further along in the process.

A Spanish bank account is required to administer all payments. Bear in mind that the Spanish bank will need you to provide documents that certify the origin of the funds you will be using for the purchase, so try to make sure you find out as early as possible about your bank's exact requirements.



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