



## FUTURE HOMES

estate agents

### **BUYING PROPERTY IN SPAIN**

This guide has been prepared by Future Homes and is intended to give you an idea of the procedure for buying property in Spain. You are strongly advised to employ a reputable, local lawyer (most of them speak excellent English) to represent you and to advise you on inheritance issues and taxes etc. Should you require guidance in appointing a lawyer, we would be happy to recommend several excellent professionals that we deal with on a regular basis.

### **RESALE PROPERTIES**

Once you have found a property and all of the necessary searches have been made, we will work with your lawyer to prepare a private contract for you to sign together with the vendors which will expressly state the following:

1. Property registry details
2. Property address and details (eg. Number of bedrooms)
3. The sale price you have agreed
4. The payment terms you have agreed (eg. 10% deposit and 90% on completion)
5. Completion date
6. That the property will be sold totally free of all charges, encumbrances, tenants etc.
7. Any other agreed terms (e.g.. Furniture etc.)

You will be expected to pay a deposit to the vendors on the signing of this private contract, which in most cases will be non-refundable, although with prior agreement, it can be conditional upon a mortgage offer.

Once your completion date arrives, you will have to make sure funds are available in Spain (either by opening a Spanish bank account and transferring funds to your account or to your lawyer's client account) and you will go with your lawyer to the public notary's office to sign for the property you are buying. A member of the Future Homes team will always be present at the completion. The public notary will require proof of up to date payments of annual rates (called IBI) and community rates if these apply. All debts will have been fully paid and these are shown in the final title deeds.

**Power of attorney** - whilst this is quite uncommon in the UK, it is common for clients to give their lawyers power of attorney to act on their behalf in the purchase procedure, in which case your lawyer can sign any contracts, mortgages, documents and deeds on your behalf (with your prior written authorisation). It is possible to state the address and purchase price of the property in question if you like so that your lawyer can only act in that particular purchase. This power of attorney can be prepared in the UK and sent to Spain (takes around

3 weeks as it has to be stamped in the Spanish Embassy and sent to Spain) costs around 400 pounds sterling or it can be applied for whilst you are in Spain in the local notary's office costing about 40 pounds sterling.

### **AFTER THE PURCHASE**

It takes approximately a month for the property to be fully registered at the public land registry and your lawyer will then present you with your title deeds. He/she in the meantime will make sure that all utility bills (electricity, gas, telephone, rates, community fees) are redirected to you normally via direct debit from your Spanish bank account, with the help of the Future Homes team.

### **PURCHASE COSTS OF SECOND HAND PROPERTY**

- 8% Purchase tax (for properties up to 400.000€) 9% between 400,001 € up to 700.000€, and 10% for properties over 700,000€ (example: purchase price 840,000€, it would be 8% tax on 400,000€ and 9% tax on 340,000€)
- Usually 1% lawyer fee (plus 21% VAT)
- Notary and registry fees (about 2 %)
- Total in the region of 11% on top of the purchase price

### **NEW AND OFF PLAN PROPERTY**

The main difference is that you won't usually be able to go into the property if it is under construction, you will only see the layout plans and the location and of course the specifications that come with it (e.g.. Marble floors etc). You will be expected to place a holding deposit down on the property (usually between 3.000 and 6.000 euros) which will take it off the market for you for about 4 weeks when you will be expected to pay between 20 and 30% of the purchase price (plus 10% VAT). Each development is different, but it is usual to be asked for 30% at the signing of the private contract and 70% on completion (or 40/60).

### **PURCHASE COSTS OF NEW PROPERTIES**

- 1% lawyers fees (plus 21% VAT) on total price of property
- 10% VAT on total price of the property
- Stamp duty (which is between 1.5% and 2% of purchase price)
- Notary and registry fees (approx. 2% of purchase price)

### **SPANISH MORTGAGES**

As a non resident, a Spanish bank will lend you up to 60% of their valuation of the property in question. They generally put an age limit of 70 years (so if you are 40, they will lend you over a maximum period of 30 years). There are however costs involved:

- Valuation fee if 2nd hand property approx. 300€ to 500€ depending on the value
- Set up fee around 1% of mortgage granted.
- Stamp duty between 1 and 2% of loan.
- Notary and registry (around 1.5% of loan)

They will charge an early redemption fee and cancellation fee, but this will be agreed between you and the bank at the point of the formal mortgage offer.

The banks will require a copy of your passport, 3 wage slips, P60, reference from your banks in UK. Quite straightforward (if self employed, letter from accountants and last three years accounts) and also a credit reference.

### **WHAT IS A NIE NUMBER AND DO I NEED ONE?**

It is a fiscal identification number given to you, and applied for by your lawyer or you in person, before you purchase your property. you can go with your lawyer to the national police station to apply for this, it is straight forward and you only complete a form and attach a copy of your passport. Yes you do need one. It is mandatory now. Alternatively, if you want your lawyer to apply for it on your behalf, you must give them a power of attorney. It costs 16€ in tax and lawyers charge about 100€ per NIE number. You need to make an appointment at the national police, and take copies of your passport (photo page and first page). However, we at Future Homes are happy to arrange this for our buyers and accompany them personally to the police station free of charge.

Finally, we welcome any questions or further clarification of the above points.