

# Guide for buying a property



The first step when buying a property is to find one that closely matches the buyer's possibilities, needs and tastes.

Once the right property has been found, the specialised team at Bufete Megías Abogados takes care of all the necessary paperwork to ensure the client is fully satisfied: from the payment of the deposit through to completion with the signing of the property deeds, and we can even provide support during the arrangement of utilities (water, electricity, insurance, etc.). We will also help you with taxes and managing your accounts, as well as with your application for a residence permit, or any other formalities required regarding your property, either for you or for your family.

The following pages will take you through the process of buying a property in Spain.

## Holding a property



Paperwork :

- **Deposit agreement:** This involves a document signed by both seller (estate agent or vendor) and buyer, whereby the property is taken off the market. The normal practice is to pay a sum of €6,000 when signing the document.
- **Bank account and NIE (Spanish Tax Number for Foreign Nationals):** The client-buyer is required to have a bank account in Spain and apply for their NIE (Spanish Tax Number for Foreign Nationals). This document is essential for buying a property. Bufete Megías Abogados will be happy to arrange the paperwork for you.
- **Private sales agreement:** this is the agreement that covers all the terms, conditions and obligations involved in the purchase, such as the following: the details of the property to be purchased and any annexes, each party's conditions and obligations, and the method of payment, among others. The normal practice is to proceed to completion a few weeks after paying the deposit, which involved the buyer paying between 10% and 30% of the sale price to hold the property.

## Deeds of purchase

All the paperwork needs to be done before the Deeds of Purchase can be drawn up, including the mortgage loan, as appropriate.

- **Signing the deeds:** the deeds are signed before the Notary Public [Notario Público]. Payment is made at this moment of the amount pending on the sale price, with delivery of the keys and all documents related to the property. If a mortgage has been arranged, the corresponding documents will also be signed during this act. This is the moment of completion, when ownership of the property is effectively transferred.
- **Recording the deeds:** the Deeds of Purchase [Escritura de Compra] are recorded at the Property Register [Registro de la Propiedad]. In addition, now is the time to proceed to the changeover of all the utilities contracts involving water, electricity, local rates (IBI), waste collection, etc.



## Mortgage loan

If the buyer of the property is **not resident in Spain** and needs to finance the purchase of the property, a Spanish bank may agree to a mortgage loan. Spanish banks currently grant non-residents mortgage loans of up to 80% of the purchase price. This percentage may vary from one bank to another.

When applying for a mortgage, **the bank will ask the buyer for a series of documents** for the purpose of conducting a detailed study and assessing the customer's solvency before deciding upon the mortgage and its terms and conditions.



## Purchase fees and taxes

There are sundry fees and taxes that need to be paid when buying a property, which are linked to the agreed purchase price:

- **Value Added Tax (VAT, IVA in Spanish):** when purchasing a new-build, the buyer is required to pay VAT (IVA), which is 10% of the purchase price. Furthermore, if the operation is liable to VAT it will incur another tax similar to Stamp Duty referred to as Actos Jurídicos Documentados (AJD), which in Andalusia is currently charged at a rate of 1.5% of the purchase price.
  - **Tax on Property Conveyances - Impuesto de Transmisiones Patrimoniales (ITP):** In the case of housing that is not new (referred to as second-hand/*de segunda mano* in Spain), Andalusia, for example, levies this tax at a rate of 8% for purchases up to €400,000, 9% up to 700,000, and 10% from then on.
  - **Notary fee:** this varies according to the purchase price.
- If the buyer finances the purchase with a mortgage loan, then a number of additional expenses need to be factored in, such as the following:
- **Home insurance:** It depends on the value of the property.
  - **Fee for arranging the mortgage loan:** between 1% and 2% of the loan capital.
  - **Notary fees:** this varies according to the purchase price.
  - **Property Register fees:** this varies according to the purchase price.
  - **Stamp Duty/Impuesto de Actos Jurídicos Documentados (AJD):** a rate of 1.5% of the total amount of the mortgage liability.



## Annual taxes and expenses

This mainly involves the following:

- **Impuesto de Bienes Inmuebles (IBI):** this is the council tax or rates to be paid by both residents and non-residents.
- **Waste collection.**
- **Non-resident income tax.**



## Upkeep costs on the property

These are normally as follows:

- **Public utilities:** water, electricity, gas, etc. The amount obviously depends on consumption. Utilities bills are normally paid by direct debit.
- **Owners'/Housing association [Comunidad de propietarios]:** this is a fee that each owner pays to the housing group or estate for the upkeep of the communal areas around the property (gardens, swimming pool...). If the property is not part of a housing estate or condominium/block of flats, these fees may not exist, but there might be others of an obligatory nature corresponding to gardening or waste collection, for example.