

Costs involved in purchasing a property

There are, in principal, three fees and two taxes to pay when purchasing a property in Andalusia, Spain. As a rule of thumb, you should estimate that the combined total of these amounts to be around 10% of the purchase price. The taxes for resale property are ITP of 7% for property under 400 000 Euros and 8% ITP for property over 400 000 Euros. For new property there is no ITP but VAT (IVA) of 8% payable independent of the price. Other costs are the Notary fees and Land Registry fees that are a fixed scale, and the lawyers fee which normally is 1% plus VAT.

If you are taking out a mortgage also count with approximately 1-1,5% opening fee of the mortgage amount and 1,8% of taxes and notary fees for the mortgage deed.

These cost and taxes are not reflected on the price advertised for the property and has to be added on top.

1. Negotiating the purchase

Once a suitable property has been chosen, the first step is to make a verbal offer. The purchase terms and price may need to be negotiated with the seller and Start Group will proceed on your behalf until a price is agreed.

2. Formalizing the offer - reservation deposit

Once there is a verbal agreement between parties, the next step will be to formalize the terms of the offer in writing. It is normal practice in Spain to include with the offer a reservation deposit until the exchange of private contracts. Paying the reservation deposit guarantees that the property is taken off the market and is reserved for you at the agreed, fixed price. The reservation deposit is normally 3000 Euros for properties under 300 000 Euros, 6000 Euros for property over 300 000 Euros, and 10 000 Euros for properties over 1 000 000 Euros,

3. Appointing a lawyer

There are many excellent local lawyers in Spain who are fluent in your language. A lawyer will provide the legal guarantees for the purchase of the property ensuring that Spanish legal requirements are met and that the property is bought free of encumbrances, charges, liens or debt and is up to date in all its payments of local contributions and community charges etc. Lawyers will tell you in advance what their fee will be - usually one percent of the purchase price.

4. Exchange of private contracts

Upon acceptance of the offer by the owner the next step in the process is to exchange private contracts of sale or to sign an option to purchase. This normally takes place within two weeks following formal acceptance of the offer. Your lawyer will have completed his searches and investigations of the property and will have arranged with the owner the procedure for the cancellation of any outstanding debts. The private contract of sale or option will reflect all the agreed terms of the offer and sale and set out the date for final completion at the notary. At this stage it is usual for the buyer to pay a ten percent deposit of the purchase price which is non refundable.

5. Completion at the notary

A sale is formally completed in Spain when the public title deeds of purchase are signed before a notary, the final payment made, and possession given to the buyer. On the assigned day, the buyer and the seller (or their authorised representatives) will attend the notary's office to sign the title deed 'Escritura de Compraventa'. At this point the payment of the remaining balance is made and possession passes to the buyer with the handing over of the keys.

6. Registration

Once signed, the notary will fax a note of the title deeds to the local land registry. Your lawyer will also arrange payment of all the relevant transfer taxes associated with the purchase and will handle the formalities of registration of your title deeds. Final registration of the deed may take up to two months. Similarly, your lawyer will arrange for the transfer of accounts with local suppliers of utility services, such as water and electricity, and organise their payment through a local bank.

7. The fees

- Legal fees: Usually 1% of the purchase price, plus value added tax (IVA) currently charged at 16% on the fee amount.
- Notary fees: the scale is fixed by law and normally range from 300 euros for lower priced properties to 1200 euros for higher priced properties.
- Land Registry fees: Generally about 20% less than notary fees.

8. The taxes for the buyer

- VAT (IVA) or transfer tax (ITP): ITP applies to resale properties only. IVA applies to new properties.
- On resale property the ITP is 7% for properties under 400 000 Euros and 8% for properties over 400 000 Euros.
- For new property the IVA (VAT) is 8% and there is also stamp duty (AJD) of 1%.

9. The taxes for the vendor

- '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. This tax is payable by the vendor, but it may be stipulated that the buyer pays. This tax may range from a few hundred euros to as much as several thousand euros on larger properties with a lot of land. Who pays this will be discussed in the negotiations and in consultation with your lawyer.
- Capital gains tax, if applicable is 21% of the gain.
- Fiscal retention for non residents. If the vendor is not tax resident in Spain, the buyer has to withhold 3% of the purchase price and pay that to the tax office on the vendors behalf. The vendor will make a tax declaration in order to see if capital gain tax is applicabe. If there are no taxes applicable the vendor will ask for to get the 3% refunded from the tax office. The tax office has three months to refund the money and should it take longer the vendor will receive interest on the money.