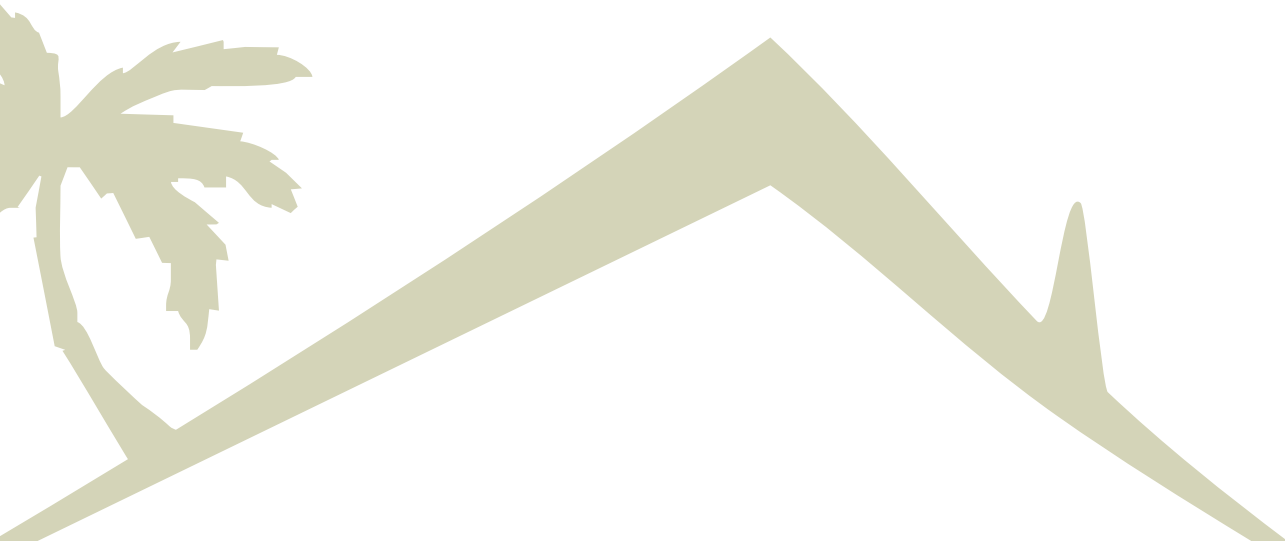




# Buyers Guide

A guide to the purchase process, tips on making an offer, associated costs of ownership and more



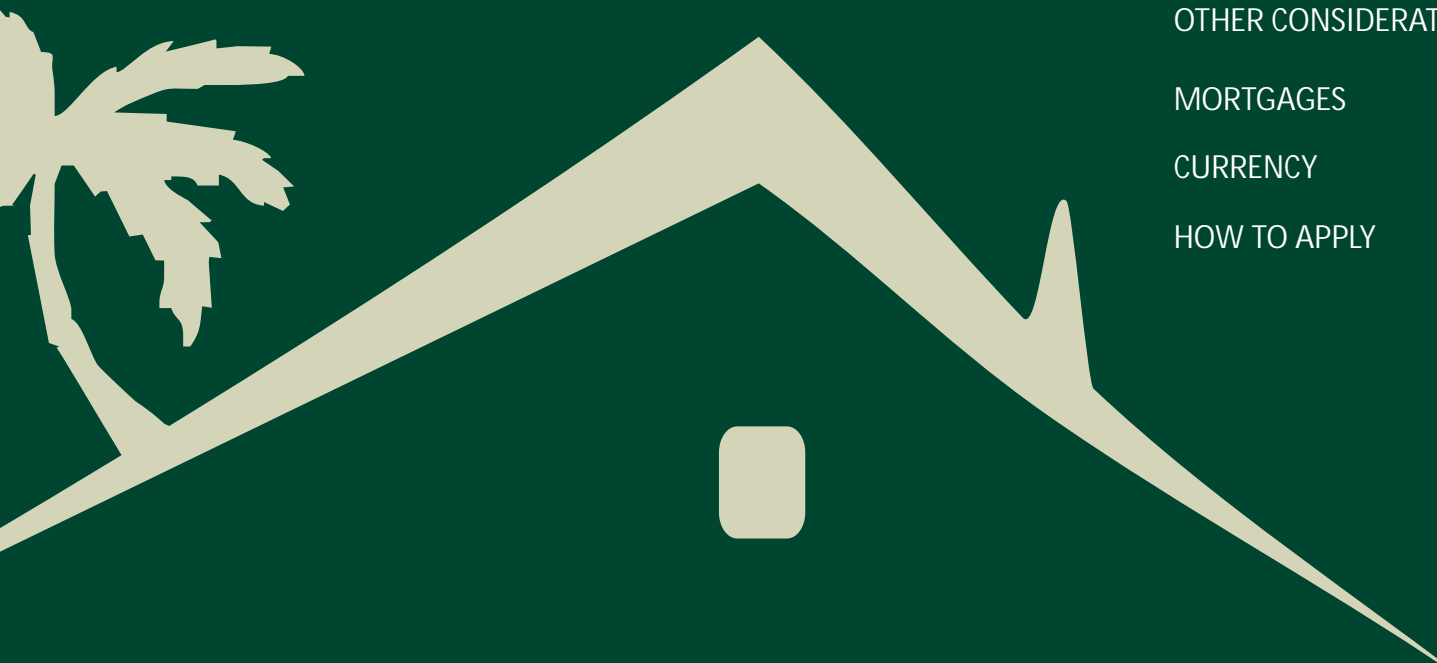
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Whether you're buying a permanent or holiday home the experience can be exciting, confusing, overwhelming and wonderful – all at once.

You want to make sure it's the right home for you, that it's affordable and that you work with a real estate professional you trust. However, there are other things about purchasing a home overseas you should be aware of.

This Buyers Guide – while it doesn't cover everything – should better prepare you to consider and assist you with the purchase of a new home. More information is also available online at [www.solsimpleproperties.com](http://www.solsimpleproperties.com)

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# INTRODUCTION



Our property portfolio is extensive and includes both new and re-sale property along the most desirable areas of the Costa del Sol.

Our friendly and highly experienced team of professionals is at your service to assist you to find the right property to suit your needs.

We like to work in close partnership with our clients and we will assign one of our property professionals to work with you during the search and purchase of your new property.

What type of property are you looking for, and in which area?

Until you are familiar with market values in your area of interest, property types, local services, proximity to beaches, golf courses and other amenities you may wish to live close to then its best to keep an open mind.

We will assist you to develop your knowledge and understanding of values to ensure you are purchasing at fair market value.

- We listen to you to understand your general and specific requirements
- We will share our market knowledge and experience with you
- We will work with properties from the portfolios of collaborating agencies to find the right properties to offer you if we cannot find the right property from our own portfolio
- We are experienced
- Professional
- Can demonstrate excellent product knowledge
- And above all we are friendly and have a desire to help you with your property search

# BUYING PROCESS



## Offer and Acceptance

Once you have found your ideal property you will need to make an offer and once accepted you must secure it through an agreement that is legally binding between buyer and seller.

Purchasing property in Spain is a relatively straightforward procedure.

The first step is that you give an offer of purchase through your agent. This written offer states the conditions you are willing to offer for the purchase. The sales price, when you plan to complete, any special conditions required (for example: inclusion of furniture, subject to you getting a mortgage, etc...) and what property taxes you need to pay.

On written acceptance of the offer, the property is taken off the market. It is advisable that this offer is in writing and will also require a small deposit of around €6,000 to 20,000 to demonstrate to the owner your intent to purchase is serious. This deposit will be held by your lawyer in their client account, until the private contract is signed. Should the offer not be accepted and negotiations end, the deposit will be returned to you.

## Anti Money Laundering

In order to comply with strict anti money laundering laws you will be required to provide to your lawyer and estate agent the following:

- Passport copy of all purchasers
- Recent proof of address of main residence (e.g. Utility bill (electric, water etc) dated within the last 3 months)

## Searches and Contracts

With your offer now accepted, your legal representative will check the land registry to make sure the property is properly registered and that there are no liens or encumbrances. The lawyer will arrange the payment structure with the vendors representative prior to going to notary and prepare a private contract that will bind both parties.

Upon signing the private contract, a payment on account of the purchase price is always made which can vary substantially according to the terms of the sale and the date of completion. A quite normal deposit for completion within 30 to 60 days would be 10% of the agreed purchase price which would be set against the agreed sales price.

The private contract will state the date by which the sale must be completed. It is very important that the purchaser be fully aware of the implications of failing to meet this completion date. Invariably the result will be the total loss of the deposit. If, on the other hand, the seller fails to meet his obligations under the contract by the given date, then the deposit will be refunded and damages may be sought in relation to losses incurred.

Eventually the lawyer will prepare the public deeds for signature in front of a Spanish Notary, when the balance of the purchase price is paid and vacant possession of the unencumbered property is granted, thereby completing the sale.

# Completion

## Preparing for signing

Whichever type of property you decide to purchase, the escritura (title deed) should only be signed once your lawyer has carried out all relevant checks to confirm ownership of the property, that's its free of debts, etc.

Your lawyer will have agreed a payment method and structure with the vendor before completing at the notary. Bank-guaranteed cheques issued by a branch on the Costa del Sol are the preferred method, though it should also be possible to transfer funds to the notary's escrow account.

You will require certain necessary documents with you when you go to the signing including an N.I.E number, your lawyer will inform you of everything you will need to take to the Notary.

Though it is always best to attend the signing in person, a power of attorney can be granted for someone to represent yourself. In most cases it is recommendable to give said power to your lawyer. The easiest way to grant power of attorney is to sign one before a notary in Spain, though at greater expense one can also be arranged through the Spanish consulates in the UK or through a British notary. All involved parties, the vendors, buyers and mortgage lenders, have to be present represented by powers of attorney at the signing of the escritura.

## When do you sign the title deeds?

When buying a resale property you or your representing party will sign the deeds before notary at the pre agreed date as discussed with the vendor. The time period between acceptance of the offer and signing of the title deeds varies. As a rule of thumb, it is between 1 and 3 months after signing a private contract.

When buying a newly built property from a developer you are not obliged to sign the escritura (title deeds) until the developer is able to produce the 'certificado de final de obras' signed by the architect.

# Notary



In Spain you cannot inscribe your title in property, unless a Spanish notary witnesses the deeds of sale. According to Spanish law a notary's signature is required to raise a private contract into public deeds that can be inscribed in the land register. Until signed by a notary, you are not the owner of the property according to property register.

In theory a private contract between buyer and seller is fully binding on both parties however, it is crucial to inscribe the title in the property register, as it is the only truly secure form of property ownership in Spain.

The notary will confirm the identity and other personal details of all buyers and sellers present or represented, and then read the deeds out loud. The title deeds will be in Spanish so you need to be sure the deeds are correct before you sign them by having a translator present or relying on your lawyer. Some notaries will refuse to sign the deeds unless it is proven that the buyer understands what he or she is signing.

If there are no objections to the content of the deeds the notary will commence the signing stage, followed by outstanding payments by the buyer prior to the keys being handed over.

After signing the deeds you will now be the proud owner of a property in Spain.

You will be given a copia simple (copy of the deeds) to take away after the signing. The copia simple allows you to set up utility contracts and pay taxes. A few days later your lawyer will be able to collect the original deeds signed by the notary (copia autorizada), which are needed to inscribe your title in the property register.

# MAKING AN OFFER

Throughout the negotiation process you should ensure complete transparency of information at all times in order to avoid misunderstandings that can have a negative impact.

This should begin with your offer letter which should outline several key criteria:

- The offered price
- Duration of the offer with a time limit
- Proposed payment terms
- Time for completion
- What is to be included in the sale and whether it is subject to some contingency e.g. is the purchase subject to some repairs being carried out or to the approval of your mortgage application, or the inclusion of some furniture, etc.
- An often neglected point, that all machinery equipment and installations should be in good working order should also be included

Once the offer is accepted then the next step is that a private contract is drawn up and upon signing it a minimum of 10% of the price is paid less the amount paid with the offer.

It is customary that the completion of the sale will take place within 30-45 days.

When making an offer its best to adhere to some basic guidelines.

- Research the true current market value of the property
- Make a reasonable offer. It is likely that the seller will not respond if the offer is too low as he may not take you seriously and will be reluctant to give a counter offer. It's important to know how much property is really worth and not just what you want to pay
- If possible find out if the seller has turned down other offers
- Only ever give a rock bottom bid if you are aware that the seller is open to them.
- Good psychology dictates that you should leave room to improve an initial offer. However, if you believe your offer is realistic and perhaps have a second choice in mind, it can be a wise strategy to let the seller know that if he doesn't accept your offer, you will be offering on another property before considering any counter offer from him.
- If the seller is present during your visits to the property avoid giving your personal opinion about the property
- Try to get all your negotiating points together at one time rather than negotiate piecemeal: this saves time and often, unpleasant surprises.
- If furniture or fixtures are included as part of the sale, request an inventory from outset. Permanent attachments are generally included but make sure that they are part of the sale.
- Avoid discussions over a piece of furniture, which may have no real value to you, but it is valuable to the seller because there is an emotional value attached to it.
- Ensure via your lawyer who will pay the municipal tax of "plusvalia". Although by law it is a tax for the seller's account, the buyer often pays it, especially in the case of apartments.

# Purchase Costs

## Transfer Tax (ITP)

When purchasing a resale property there is an 8% transfer tax payable by the buyer, known in Spanish as Impuesto de Transferencia de Propiedad (ITP) upto €400,000 then up to €700,000 7% and 10% above this amount. For off-plan purchases the tax is still 10% but is referred too as IVA (VAT) plus 2% transfer tax.

If the property in question is a garage/storage or a plot of land then the tax rate is 16% as opposed to 8%.

Please note that as soon as construction of a residential property commences on a plot you are able to reclaim the tax, bringing it down to 8%.

9% (8% VAT and 1% STAMP DUTY) for any VILLA or APARTMENT, or GARAGE that is annexed to an apartment, where the vendor is a developer, promoter or habitual trader in these generally new properties.

21% IVA + 1.5% AJD for PARCELS OF LAND, COMMERCIAL PREMISES or COMMERCIAL GARAGE SPACES, where the vendor is a developer, promoter or habitual trader. This covers virtually all NEWLY URBANIZED LAND PARCELS and NEWLY BUILT COMMERCIAL PREMISES. This only covers resale properties when the vendor falls into one of the above categories.

## Notary Fees, Land Registry, Stamp Duty

Notary fees can cost up to approximately €1.750 although the cost increases according to the number of pages or complexity of the title deed (e.g. transcription of statutes, payment in stages, property partially finished, etc.). As an example, an apartment costing €300,000

will cost around €546 in notary fees, whilst a property costing €600,000 will cost around €678 in notary fees. Any higher than this amount, the fees go up marginally.

The property registry inscription fees also depend on the complexity of the transaction. For example, fees for an apartment costing €600.000 to be registered in the name of one person and purchased without a mortgage loan, will cost around €300. For an apartment with the same sales price to be registered in the name of 2 persons and purchased with a mortgage loan, will cost around €800.

## Lawyers Fees

Lawyer's fees are in the order of 1% of the selling price, more or less, depending on the lawyer and the price of the property.

## Municipal Added Value Tax (Plus Valia)

This is an "added value" tax based upon the increase of the Town Hall index value of the land only, from the prior (vendor's) purchase to the present sale. It is usually not a significant amount with respect to apartments or townhouses – less than €1000 for the most part for an apartment or townhouse which last changed hands five or six years ago – but can be more in the case of villas with a large tract of land.

This tax corresponds, by its nature, to the vendor who is responsible for its payment, unless otherwise negotiated. As there are several variable factors used in calculating this tax, especially the length of time of ownership of the property, the amount payable can vary substantially and should be verified before proceeding with the purchase.



# Costs of Property Ownership in Spain

## IBI (Impuesto Bienes Inmuebles)

This is an annual real estate tax levied by the local town hall and is usually 0.85% of the cadastral value (valor catastral). This value is the assessed value for tax purposes and is important because other taxes are based on it as well. When you buy, you want to see the seller's last receipt for the IBI payment. This contains the value and the exact amount of the tax.

## Rubbish Collection & Water Rates

The rubbish collection rate is applied by the Town Hall according to the property and payable every 6 months. For an apartment in Marbella rubbish collection is approximately €162 and a villa approximately €242 per year. Water consumption is calculated by the water meter consumption in cubic meters and is payable every 3 months. Payment can be made directly at the Town Hall or by bank with direct debit instructions.

## Property Income Tax

This is an annual tax due to be paid the year following the tax year in question.

Both residents and non residents must pay Income Tax on income received through the ownership of property in Spain. There are two forms of taxation applicable depending on the source:

- A. Actual income gained on property rentals: 24% on returns.
- B. Deemed income. The Spanish tax agency attributes to you an imaginary income each year of 2% of the cadastral value of your property. It then charges you the income tax rate of 24% on this imaginary income. You can also think of it as one half of one per cent of the cadastral value.

If your catastral value was sharply increased after 1994, your imaginary income is only 1,1 per cent.

## Community Fee

These are fees paid to the Community of Owners for services and maintenance of communal areas, when the property is located in a development or condominium apartment building.

These communities are subject to Spanish law of Horizontal division. All property owners of the block form the Community of Property Owners. They are responsible for their individual parts and common areas of the block. They all participate in the expenses of the community on a pro-rata basis. Every apartment of the block has a share in the communal areas, usually proportionate to the size of the owner's property

A budget for the annual community expenses is presented at the annual general meeting of the homeowners, and they or their authorized representatives must approve the budget by majority vote of those present at the meeting. Expenses can vary substantially according to the services provided, and normally include salary and social security of the hall porter, common garden maintenance, lift maintenance, repairs to common elements, rubbish collection, water for watering community gardens, electricity for lighting communal areas, insurance, security, and administration fees. The President of the community must, by law, own a property within the complex itself and is chosen by way of vote by the co-owners. The President has no remuneration for this role.

# Other Considerations

## Buy for your own use first and foremost

Unless you are absolutely sure that your children or grandchildren will visit you, it is generally a mistake to buy with their use as the main consideration. Time and again, people end up selling their enormous homes when their family doesn't visit as often as envisaged. Purchase primarily for your own use, taste and objectives.

## Realistically analyze the potential costs of modernising an older property

Reforms and unexpected repairs can be expensive surprises. That said, second hand properties will often have a better location and may be less expensive than newer properties.

## Think ahead to the day you sell

A property bought today is an important part of one's assets. It is therefore advisable to take into account not just personal preferences but also general investment criteria, such as location, design factors, quality of finishes and facilities.

Take into account not just personal preferences but also general investment criteria, such as location, design factors, quality of finishes and facilities.

## Protect your investment

Make sure you have enough land around you to protect your privacy and views from a prospective building project.

## When buying land

Measure the land you purchase. If you are looking to buy a plot of land

and no topographical survey exists, it may be advisable to negotiate a "Euro per square metre" price subject to survey, to avoid any unpleasant surprises.

## Ensure the protection afforded by the law is given to you

If you are buying property under construction, the developer is legally required to provide an insurance policy or bank guarantee to protect your payments in the event of incompleteness. The developers must also provide proof of ownership, as well as planning permission and licenses, and since 2002, an insurance policy against building defects. A lawyer experienced in property transactions will anticipate these items.

## Ownership

A property can be owned by an individual ownership or by one or more companies. Owning companies can be Spanish companies or foreign companies.

When the owner of the property is a non-resident company, a special tax has to be paid. Since 1996, the rate applicable is 3% of the catastral value of the property.

## How long can I stay in Spain as a tourist

Europeans from the E.U. can stay in Spain indefinitely. Visas are not required for some other countries such as the United States, but are still required in other cases, depending on one's country of origin, and with varying lengths of stay permitted. Any non-resident residing in Spain 183 days or more per calendar year is considered by the Tax Office to be a resident for tax purposes.

# Mortgages



If the buyer requires a mortgage to purchase a property, an official valuation must be conducted. Most property assessors charge around 280€ to perform an official valuation.

As part of the Spanish mortgage application process the lender will require a copy of a Nota Simple that confirms that the property is free of any other unexpected debts which your solicitor will request from the Land Registry as part of the purchase process.

The mortgage must be registered with the land registry. This slightly increases the land registry fees when buying a property. The fee for registering a Spanish mortgage is approximately the same as the fee for registering the property.

If you are considering taking a mortgage it's wise to shop around and speak to several Spanish banks before making a decision.

Overall lending will depend on your income levels, age and residency status. Spanish residents are generally granted a higher loan percentage.

Tighter lending conditions are such that currently the actual loan granted by the bank will be based on the purchase value of the property rather than the valuation which has a greater impact if you are buying a property at well below normal market values.

We can recommend an independent mortgage adviser that specialises in providing impartial advice to non residents and expats and who will discuss your mortgage requirements.

A professional mortgage advisor will research the whole market to ensure that they offer access to the most competitive and best Spanish mortgage products available to suit your needs. They will provide a clear and transparent guide to all costs involved in purchasing a property and obtaining a mortgage, so that a fully informed decision can be made prior to making a formal mortgage application.

Your professional mortgage advisor will try to ensure as far as possible that any specific features you may require for your Spanish mortgage are catered for, and will recommend a lender or lenders that will provide these requirements at the most competitive price. The most common product features requested are:

- Best Variable Rate
- Longest Interest Only Term
- No Repayment Penalties
- Longest Fixed Rate
- Longest Mortgage Term

If you have any questions regarding a Spanish mortgage then please do not hesitate to contact us today and we will ensure an independent advisor will contact you.

# Currency - Sending money abroad

If you are buying a property and require to exchange money from a home currency to Euros then make sure to speak with a foreign currency specialist.

With rates up to 5% better than high street banks and no commissions you will save your money and have more to spend on your property in Spain.

You can open a personal account or business account to start sending money abroad and save on your international payments and transfers.

A currency specialist will save clients money by achieving the best currency rates available and a better exchange rate than high street banks.

Their commercial rates of exchange and outstanding market knowledge ensure they maximise the value of your currency.

Every transaction is completely secure and you'll have peace of mind as a dedicated currency broker guides you through the process.

Currency is purchased at wholesale prices directly from the market, meaning they can pass on significant savings to you. With their market expertise, they can help you make an informed decision about when to trade and make the most of your currency.

You'll always speak to a dedicated broker

You will always speak to a friendly and knowledgeable broker who is familiar with you and your situation, never an automated answering service.

You won't pay any fees or commission

There will be no hidden fees or commissions for the purchase or sale of foreign currency through our recommended currency specialist.

Your payment is always secure

Our recommended currency specialist is authorised by the Financial Conduct Authority under the Payment Services Regulations 2009 (FRN 503906) for the provision of payment services. All client funds are held in segregated client accounts with Barclays PLC.

Exchange currency in 3 easy steps:

- Open your account

Registering for an account is quick, easy and free. Once open, it gives you access to competitive exchange rates and expert market knowledge. Please note that opening an account does not obligate you to trade.

- Speak to a dedicated broker

You will be able to call for a quote or for a consultation with a dedicated broker to discuss your specific currency requirements.

- Receive your currency

Once a contract has been settled, your currency will be sent to your nominated account within your specified time frame.

Speak to us today and we will ensure a dedicated broker will call you.

# HOW TO APPLY



If you would like us to assist you with your property search then please call today and one of our team be pleased to assist you.

Contact +34 952 935 637 or email [info@solsimpleproperties.com](mailto:info@solsimpleproperties.com) or simply complete our online enquiry form available from our website [www.solsimpleproperties.com](http://www.solsimpleproperties.com)

## Important points to note

This document represents the view of Sol Simple Properties in this subject at the date of this documents and may be subject to subsequent change.

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The information in this document is based on our understanding of law and regulation at the time of print and is subject to change.



## Contact Us

[info@solsimpleproperties.com](mailto:info@solsimpleproperties.com)

[www.solsimpleproperties.com](http://www.solsimpleproperties.com)

+34 952 935 637

