



— UNLOCK YOUR DREAM:

THE ESSENTIAL GUIDE TO PURCHASING PROPERTY IN SPAIN

Are you dreaming of owning a property in the Costa del Sol but feeling unsure about what steps to take next? Look no further! Here's a comprehensive guide to help navigate your journey.

ORGANISE YOUR FUNDS

To reserve a Spanish property it is customary to place a holding deposit on it, this takes the property off the market and prevents you from losing it to someone else. The normal deposit amount is 3,000 or 6,000 Euros, which can be paid by credit card or bank transfer. Sterling cheques may require up to 21 days to be processed, during which time another buyer could secure the property.

THE BUYING PROCEDURE

- 1) Once you find the property you would like to buy, you need to make an offer to the seller and wait for confirmation of your proposal.
- 2) If it is accepted you will need to notify your lawyer, providing details of the agent and telephone number.
- 3) In Spain a deposit needs to be held either by the real estate agent or your lawyer. Only then will the seller take the property off the market and will provide the documents to us in order to commence the searches.
- 4) The lawyer will proceed with the due diligence legal searches. Please note that if you do not live in Spain any law firm in Spain will request a Power of Attorney, without it we are not able to assist and provide legal representation. The power of attorney can be signed in the UK or in Spain.

DUE DILIGENCE-LEGAL SEARCHES ON RESALE PROPERTIES

- A thorough check of the property's Land Registry history will be conducted to verify the legal ownership status of the sellers.
- Verification will be made to ensure that the property is free from any charges, encumbrances, liens, attachments, etc.
- A visit to the Town Hall will be arranged to obtain a copy of the license of first occupation or responsible declaration, depending on the property's location.
- Confirmation will be sought to ensure that the square meters of the property registered in the Land Registry office match those registered in the cadastral office (Town Hall). Additionally, any extensions or modifications made to the property post-license issuance by the owners must be legally registered in both the Town Hall and Land Registry office.
- For properties older than 10 years (first 10 years of construction, with building insurance), it is strongly advised to engage an Architect (building report) to assess the property's condition regarding subsidence, roofing, structure, pool (if applicable), dampness, etc.
- Verification will be made to ensure that all ongoing property expenses, such as local property tax, rubbish collection tax, and community fees (if applicable), are up to date in payment. Failure to pay these expenses may result in the property being directly liable for any debt, rather than the seller.
- Upon completion of the search process, a comprehensive report detailing the search results and ongoing expenses of the property will be provided, including information on payment frequencies and contact details of the community administration and utility companies.
- The process will proceed with the signing of the private purchase contract.

PRIVATE PURCHASE CONTRACT

At this juncture, your lawyer has concluded the necessary legal searches and inquiries outlined earlier concerning the property. Subsequently, arrangements have been made with the property owner regarding the process for settling any outstanding debts.

The private purchase contract or option will encapsulate all mutually agreed-upon terms of the offer and sale, including specifying the final completion date at the Notary. Typically, it is customary for the purchaser to remit 10% of the purchase price at this stage, which is generally considered non-refundable should the purchaser opt not to proceed with the transaction.

In the event that the seller fails to execute the title deed upon completion, the deposit already remitted, in addition to twice the amount of the deposit, will be refunded to the buyer as per standard practice.

FINAL COMPLETION

The sale is officially concluded with the signing of the deeds, known as "escritura," before a Spanish Notary Public. During this process, full payment is made, excluding any deposit or amount paid at the signing of the private purchase contract, and possession is formally transferred to the buyer. If your lawyer holds your specific power of attorney, your presence at the Notary's office on the day of completion is not required, although you have the option to attend if you wish.

Registration: Once signed, the Notary will promptly notify the local Land Registry of the title deed. Your lawyer will handle the payment of all relevant transfer taxes associated with the purchase on your behalf and manage the formalities for registering your title deed. The final registration of the deed may take up to 3 months. Additionally, they will facilitate the transfer of utility service accounts, such as water and electricity, and arrange for their payment through a local bank, offering direct debit as an optional service.

PURCHASING COSTS

In addition to the purchase price of the property, it's important to consider various additional fees and taxes. As a general guideline, you should budget approximately 12-13% of the purchase price to cover these expenses. This includes property transfer tax, typically 7% in Andalusia, as well as Notary Fees, Land Registry fees, and legal fees.

New construction - When buying a villa or apartment yet to be constructed, special care needs to be taken. Bank guarantees will need to be obtained for each payment made to ensure that the buyer can have his money returned if the project fails to complete on time, if it comes to a standstill or simply is never started. Many developers offer these bank guarantees free of charge, others make a percentage charge. The VAT charged on new properties is rated at 10% with 1.5% of Stamp Duty.

There are basically three fees and two taxes to pay when purchasing property in Spain. Legal fees: Normally charged at a 1% of the purchase price plus VAT (currently 21%) Notary fees and Land Registry fees; the scale is fixed by law and may range from 500 Euros for lower priced properties to 1,700 Euros for higher priced properties. (approximate figures)

OTHER CONSIDERATIONS

Spanish Wills:

Spanish laws safeguard family heirs by limiting the testator's ability to distribute their estate freely to any chosen individual. In the event of a foreign resident's death in Spain without a will, their estate will be allocated according to Spanish Laws of Succession. Absence of a will can lead to lengthy and costly legal proceedings for the heirs. It's crucial to ensure that any foreign will excludes Spain and that subsequent wills made in other countries do not override the provisions of the Spanish Will.

Inheritance Tax:

Tax is levied on inheritances received by the spouse, children, or any other party who inherits any part of the deceased's estate in Spain. Beneficiaries who are not family members may face penalties under Spanish Laws of Succession and inheritance tax, with multiplicands applied to the applicable tax rate.

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The Private Client Consultancy Group provides a comprehensive range of services beyond real estate. From currency transfers to insurance and beyond, we've got you covered.

We are committed to guiding our clients through the complexities of international finance, offering personalized strategies to optimize their wealth and secure their financial future. With a focus on understanding the unique challenges faced by expats, we strive to deliver expert advice, innovative solutions, and peace of mind.

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