



BUYING A HOUSE

ATD Despacho Jurídico fully understands the difficulties most foreign buyers face when purchasing a property in Spain. There are language barriers to deal with. Paperwork is difficult to interpret, and our legal system often seems impossible to understand.

Whether you are buying a new-build property or a resale, ATD Despacho Jurídico will make sure that there are no unpleasant surprises. We take care of everything, from your preliminary searches on Title, right through to final completion. We will then gather together all the interested parties to seal the transfer. Importantly, we make sure that your property is freehold by carrying out the necessary searches at the Land Registry. We will also confirm that the first occupancy certificate (Licencia de Primera Ocupación) has been duly issued by the Town Council. We will ensure that there are no unpaid Council Tax or utilities bills, or community fees that could otherwise transfer with the property and hit your pocket!

On completion, spanish law requires all parties to attend signature of the Title Deed together at the Notary's Office. If you can be there, so much the better. However, if you prefer, ATD Despacho Jurídico can prepare a Power of Attorney for you to sign, either in Spain or in your home country. We will then attend on your behalf. At ATD Despacho Jurídico, we believe it is vitally important to safeguard our clients AFTER completion. ATD Despacho Jurídico will make sure there are no loose ends by offering a comprehensive AFTERSALES service which covers:

- Payment of any Transfer Tax or Duty Stamp
- Registration of the Deeds
- Switching of all utilities and setting up of direct-debit payment mandates.



A good solicitor is absolutely essential.

BEFORE SIGNING

There are some seemingly obvious things that need to be meticulously checked before signing the purchase of a house in Spain. Below is a list of the most basic information that should be obtained before signing:

- Check that the seller is really the owner
- Check the state of charges and encumbrances on the house.
- Check the current and previous payments of the real estate tax (IBI).
- Check the payment of community fees.

Obviously, at AT Despacho Jurídico we take care of all these details for you, all in your own language.

PROCEDURE

The procedure for completing the purchase of property in Spain may seem quite complex at times, and we are happy to provide you with expert guidance.

- DEPOSIT:

In the first instance, the buyer signs a private contract establishing the property being bought, the price, the form of payment and the completion date. This document is signed by all parties without the intervention of a Notary. The parties are obliged to fulfill it but it is not valid in relation to third parties. It is usual to pay a deposit of about 10% of the price.



- NIE NUMBER:

This is known as FOREIGNERS IDENTIFICATION NUMBER. It is not a social security number, but rather is an identification for tax purposes. It is compulsory for foreigners to obtain one when they have properties/interests in Spain. The number never changes – even if the person buys and sells many different properties. In the event of the property owner selling up and moving out of Spain, that number will remain theirs, regardless of the amount of years spent away from Spain. **THE SIGNATURE OF ANY TITLE DEED IS NOT POSSIBLE UNLESS THE NIE IS PRESENTED TO THE NOTARY.**

- COMPLETION:

When the time comes to complete the purchase, the Title Deed (Escritura) is signed before a Public Notary. **IT IS STRONGLY RECOMMENDED YOU USE THE SERVICES OF A SOLICITOR TO MAKE SURE EVERYTHING IS IN ORDER.** Your solicitor will attend the notary with you or in the event you cannot be present in Spain he/she can also represent you with a **POWER OF ATTORNEY.**

- REGISTERING OF TITLE DEED:

Your solicitor will take care of paying the transmission tax and to make sure the property is duly registered in your name. For more information, see item corresponding to taxation and cost. The solicitor will also take care of setting up all the utilities contracts for your property.

TAXATION AND COSTS WHEN YOU BUY A PROPERTY

There are legal fees and taxes to pay on the transfer of a property.

There are fees which need to be paid to the Public Notary and the Land Registry.



The tax to be paid depends on which type of property is being bought and where is located (since the different Spanish Autonomous regions can legislate differently on the applicable tax rates):

> On the purchase of new properties:

- VAT (Value Added Tax), at a fixed rate of 10% of the declared value of the property.
- A.J.D. (Stamp Duties). This tax is in addition to above VAT above and is calculated at a rate of:
 - 1,5% for properties located in the Valencian & Andalusian Communities.

> On resales:

I.T.P. Transfer Tax at a rate of:

- 8% of the declared value of the property for properties located in Andalusia and with a price of up to 400.000 euros. Higher values are taxed at a higher rate.
- 10% of the declared value of the property for properties located in the Valencian Community.

**A good rule of thumb to calculate your budget when buying a property is to allow a 15% on top of the asked price. This will cover all taxes and costs you must pay –even solicitor fees–.

WHEN YOU HAVE BECOME THE OWNER

As a non-resident owner of a property in Spain you must be aware that you will be obliged to pay certain taxes in this country. These taxes are due in any case, irrespective of whether the property is used intensively or only occasionally or even if it is kept empty.



Income Tax (I.R.P.F.)

This tax is around 0.15% of the value of the property, and is paid annually, corresponding to the former natural calendar year. So if your property has a cadastral value of 100,000 Euros, then the payable amount would be about 150 Euros each year.

Local tax on real estate (I.B.I.)

This is a direct tax based on the value of the house. It is known as LOCAL RATES, COUNCIL TAX or IBI (and SUMA BILL in the Alicante Area). All these names refer to the same thing. Each Town Council determines the percentage to be applied to the cadastral value of the property. Every year the value of the tax is increased by applying the percentage given by the Government in the Nation Budget act. This is also a yearly tax and there is the possibility – strongly recommended – of setting up a direct debit.

APPOINTING A FISCAL REPRESENTATIVE

It is very advisable to use the services of a local solicitor who can take care not only of the payment of your taxes in Spain but also to keep you informed of any essential changes in the law which may affect your interest. Besides, your solicitor can also assist you in sorting out any hiccups related to your Spanish property if you are not in the country (i.e. electricity problems, letters that you do not understand...). At AT Despacho Jurídico we can help you with all your needs for fiscal representation.



JOINT OWNERSHIP

When several people jointly own a property in shares, if the parties agree to remove their names from the Deeds in order to keep the property in just ONE name, it is necessary to sign a new title deed. The best way to do this is by making a Dissolution of Community/Joint Ownership (as the Tax liability is lower than the one for a Re-sale or a Donation tax). In dissolution of community, the owner keeping the property compensates the people getting out of the Deeds for the net value of their particular share. To calculate the net value of each share we need to know the value of the house (usually the value in the former Deed of Purchase), to discount any holds (mortgages, etc...) and to split the balance between all shareholders. To complete this transaction ALL the current owners must sign the dissolution Deed, so if any of you cannot come to Spain, AT Despacho Jurídico can prepare a PoA which can be signed in your country before a local notary public. Please contact us to check our current tariff of fees. Our fees include the following services:

- Coordinating everything for completion at the notary.
- Payment of the corresponding taxes and taking care of the registration of the new title deed.
- Cancellation of direct debits/setting up new standing orders for utilities.

As for taxation, there will be a 1.2 – 1.5% STAMP DUTY on the total value of the property.