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INDEPENDENT PROPERTY CONSULTANTS

Buying a Property in Spain?  
PURCHASE PROCEDURE GUIDE

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At Elena Ilchenko Independent Property Consultants you will find the bespoke and dedicated service that the purchase of a new property requires, backed by 20 years of expertise in the real estate market on the Costa del Sol.

Be it for permanent residence, holiday home, business or investment purposes we will personally and efficiently assist you through the entire process of finding and buying your home, business or investment property on the Costa del Sol

This informative Purchase Procedure Guide for buying property in Spain, is designed to give you a brief insight of the steps and requirements for the acquisition.

Regardless of whether you are in the area at the moment or not, you may begin this journey by contacting us through the details in this guide or on our website and we shall look forward to making the project of purchasing your new home in Spain a positive and exciting experience right from the start!

*Elena Ilchenko*

# BUYING PROPERTY IN SPAIN?

In current times the internet offers an overall excellent property showcase throughout the globe, and often the temptation rises to engage in a purchase procedure without prior knowledge of the implications it can have if you are not familiar with the legislation of the country the desired object is located at - the outcome could not be the one you wished for.

In order for your purchase to go smoothly and not face unwanted surprises, it is crucial to seek a reputed locally established professional agent or consultant to guide, assist and diligently represent your interests from the initial search through to the satisfactory fulfilment of the transaction, and there after provide you with the post purchase support you may need.

Buying a Property in Spain has its intricacies, we therefore recommend that you read through the information in this guide, in order to have a basic overview of the steps it encompasses. This may be specially interesting if you are searching and buying from abroad, as the Spanish property conveyancing system is different to other countries.







# Purchase Procedure Guide

## 1. Finding your desired home or investment object

We shall find it for you, putting all our resources as your personal property consultants to work. Being an independent consultancy firm, we operate in an unbiased fashion, driven entirely by your personal requirements and preferences, applying our professional knowledge, experience and relations to source the best possible objects that fulfil your request in your best interest. Even in the event that you have spotted a property that is privately on the market and would like to have the support of experienced professionals to assist you, we can help.

Once you have decided on the desired property, and we have done preliminary checks that the principle aspects in terms of debts, charges and over all legality for its sale is in apparent order, we proceed to the next step.

## 2. Signing a Private Reservation Contract

To secure the property's availability to you, a Private Reservation Contract is signed, so the property is taken off the market for other purchasers.

This document is signed with the vendor of the property (the Real Estate Agency or the vendor himself), in order for him to take the property off the market, with payment of a reservation deposit. Normally the deposits amount to a minimum of 6.000€ for purchases up to 500.000€. Properties above 500.000€ by norm will require a reservation deposit of 1% of the purchase price.

This will secure the option of your purchase usually for a period of approximately 2-3 weeks or as arranged between the parties. The terms will be stipulated in the contract, including the timeframe for the completion of the purchase. With regards the Private Reservation Contract, failure to comply on the buyer's part will mean loss of the deposit, unless the termination comes as a result of a negative due diligence on the property. If the vendor is the one who defaults, then the buyer is by law entitled to twice the amount of the deposit as compensation - unless it is written otherwise in the contract.



### 3. Appointing a Solicitor

Whilst the initial reservation agreement is in place and before formalizing the purchase with a further contract and payment, the solicitor will advise you, assist you and proceed with:

- Getting all necessary documentation for you as a buyer such as a NIE number (fiscal identification number for foreigners). This document is absolutely necessary to purchase a property.
- Opening a Bank Account
- Due Diligence and final inquiries of the property

Bear in mind that not all real estate transactions are alike, depending on the type of property and the purpose of the investment or acquisition it will determine the terms by which the transaction shall be followed through. Factors such as distinction between new built and existing property, building plots and construction, commercial property, whether you will need a mortgage, solicit permanent residency, set up business, act as an individual or a company etc. are not only decisive to the terms and transaction, but offer a variety of options that could best suit your personal situation. Despite the fact that we can give you a fairly accurate orientation of your options, the execution of the same is best followed through by an expert legal advisor with in-depth knowledge of the legal and fiscal implications of Real Estate operations in Spain.

## 4. Signing a Private Purchase Contract

At this point you will have discussed and agreed on the terms of the transaction with your solicitor.

- This contract covers all the terms, conditions and obligations of the purchase, such as: the property that is sold and its annexes, the purchase price, the conditions and obligations of each party, terms and means of payment, date of completion, etc.
- Upon exchanging the private purchase contract, the buyer shall pay from 10% to 30% of the purchase price as a confirmation of the reservation of the property.

This is also the time for obtaining all the necessary documents needed prior to signing the Purchase Title Deed and drafting the Deed, as well as applying for a mortgage if necessary.







## 5. Signing the Purchase Title Deed

Once all the documents are in place, the Purchase Title Deed is signed before a public notary. This involves the payment of the remaining amount of the purchase price on the buyers part, and handing over the keys and all the documents related to the property by the seller. If necessary, the Mortgage Loan Title Deed shall be signed on the same day.

Once you are in possession of the Purchase Title Deed in your name, your solicitor will register it at the Land Registry. The change of name on the water and electricity utility contracts, municipal fees, rubbish collection etc. will also be arranged at this time.

Congratulations will now be in order for the successful purchase of your property in Spain!





# Related Information

## MORTGAGE LOANS

In the event that the non resident buyer needs finance in order to purchase the property, Spanish banks may grant a mortgage loan. Nowadays, banks tend to grant non residents a mortgage loan for up to 80% of the purchase price or Loan to Value (LTV), whichever is the lowest, although this may vary depending on the financial institution.

The timeframe for the duration of the loan depends on several aspects, such as the age of the mortgage taker. Mortgages are normally paid

on a monthly basis. The debt to income ratio is normally around 30%. This means that if the monthly payment is 300€ you shall have a combined net income of 900€

For the appropriate study of the mortgage loan application by the bank, several documents will have to be handed in, which your solicitor will advise you on. The documents must all be original and a sworn translation into Spanish is required.





## PURCHASE TAXES AND EXPENSES

There are several expenses and taxes which must be paid in Spain when purchasing a property, over and above the price agreed upon with the vendor:

- When purchasing real estate 10% Value Added Tax (VAT) applies to new built properties (from the developer) and 21% for Commercial Properties and Plots.
- Stamp Duties (1,2%).
- When purchasing a property as a second transmission in Andalucia 7% Transfer Tax is paid for second hand residential property

- Notary Public fees (depending on the purchase price)
- Land Registry fees (depending on the purchase price)
- Legal Fees

If financing is necessary for the purchase (mortgage loan), the following additional expenses shall be noted:

- Insurance: 250-700 € (approx.)
- Commissions for having a mortgage loan (depending on the financial institution, between 1% and 2%).





## PROPERTY MAINTENANCE TAX & FEES

As a new property owner in Spain you must arrange for the payment of the pertaining taxes, council taxes and fees.

There are currently three types of annual fees that must be paid by owners of properties in Spain:

- IBI (Property Tax). It is a local tax that must be paid every year both by residents and non-residents.
- Wealth Tax
- Non-Residents Income Tax Expenses and fees related to maintaining the property.
- In some municipalities, rubbish collection tax is also paid.

Further there are Community of Owners fees payable by the owner of a property located in an urbanization or block for the maintenance of the common areas (garden, security, swimming pool, etc).

If the property is not in an urbanization or block, these fees may not have to be paid, but other expenses such as gardening and rubbish collection may be compulsory.

Utility bills, electricity, water, gas etc.. are usually debited through your bank account.



## Contact Us

Elena Ilchenko Independent Property Consultants will assist you professionally throughout entire property purchase procedure, ensuring that your requisits are met and the purchase of your property in Spain results in Success.

Our commitment extends equally to our after sales service list which we are happy to discuss with you at any point. Our clients are very important to us also on a personal level and we endeavour to offer a bespoke service not only throughout the purchase period, but also whilst establishing yourself in your new home and country.

Please feel free to contact us with any questions, issues or requests. It will be a pleasure to hear from you!

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