



Guide to

# BUYING PROPERTY IN SPAIN



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# Content

## 01 The steps to buying a property in Spain ..... 3

- 01. Administrative requirements
- 02. LOI and good faith deposit
- 03. The private arras contract
- 04. Completion of the public deed

## 02 What are the costs? ..... 5

Purchase costs:

- 01. When buying a property
- 02. Notary and land registry fees
- 03. Legal fees
- 04. Mortgage costs

Costs after purchase:

- 01. Local taxes
- 02. Community fees
- 03. Non-resident income tax
- 04. Wealth tax for non residents

Our trusted collaborators

## 03 Golden Visa ..... 9

## 04 Advice ..... 11





# 01

## The steps to buying a property in Spain





## 01

### Administrative requirements

Before signing the Public Deed, foreign buyers will need a tax identification number (NIE) and a bank account in Spain.

The NIE can either be obtained in person, or by a Power of Attorney (POA) if you do not have time to attend the Admin Office and process all the necessary documentation. It is best to do this early in the property search process to avoid unnecessary delays.

A Spanish bank account is required for payment at the signing of the deed and for ongoing tax and utility payments. Keep in mind that the Spanish bank will ask you to provide documents that certify the origin of the funds that you will use to acquire the property, so ensure you know your bank's requirements well before completion.

## 02

### LOI and good faith deposit

The first step when you identify the property that you want to buy is to formulate a formal written offer (LOI) and put down a good faith deposit. This deposit is held by the real estate agency and the amount varies depending upon the property price. Your Sales Agent can advise you of the exact amount. If your formal offer is accepted and signed by the Seller, the LOI becomes a reserve agreement, and the property is removed from the market. The reserve agreement sets out the conditions and timelines for the next stage of the process.

We always advise our clients to instruct a lawyer to oversee the purchase process and we can recommend suitable lawyers who speak your language.

## 03

### The private arras contract (contrato privado de arras)

The Arras Contract (Contrato de Arras) is a private agreement between the buyer and seller and contains all the relevant details of the sale such as the description of the property, the purchase price, the payment method, the breakdown of payments, and timeframes of the deal.

Upon signature, the Buyer will make a down payment. This is normally paid to the Seller's bank account and is usually 10% of the agreed purchase price.

Within the Arras Contract is a clause stating that should the Seller withdraw from the sale the Buyer is entitled to receive double the down payment as compensation and should the Buyer withdraw from the sale, the down payment amount is forfeited.

Prior to signing the contract, due diligence checks will be carried out relating to the legal and technical details of the property.

## 04

### Completion of the public deed (escritura de compraventa)

On the date of the deed, the pending balance of the purchase price must be paid.

The purchase sale deed is signed before a public notary in the presence of both buyer and seller.

The Notary certifies the transfer of title ownership and a copy of the public deed of conveyance will be sent to the Spanish Tax Office and to the Land Registry.

Upon signature of the deed, the buyer takes title ownership and material possession of the property.





02

What are  
the costs?



# Purchase Costs

01

## When buying a property

### 01.1 New build property

### 01.2 Resale property

02

## Notary and land registry fees

03

## Legal fees

04

## Mortgage costs

## 01. When buying a property

### 01.1. New build property

The buyer must pay VAT (IVA, Impuesto sobre Valor Añadido) and Stamp Duty (AJD, Actos Jurídicos Documentados). VAT is a national tax that does not vary depending on the property's location (except for the Canary Islands). At present the rate of VAT is 10% of the purchase price for new residential properties (villas, apartments etc), including garages and annexes, and 21% for building plots. The rate of Stamp Duty is a percentage of the purchase price. This varies depending on the autonomous region ranging from 0.5% and 1.5%.

### 01.2. Resale property

This type of sale is subject to Transfer Tax (ITP, Impuesto sobre Transmisiones Patrimoniales). This tax applies to the buyer. The general ITP rate varies from region to region, ranging from 6% to 11%.

## 02. Notary and land registry fees

Notary and land registry fees vary depending on the purchase price and the complexity of the deed.

## 03. Legal fees

It is not a legal requirement to instruct a lawyer but it is strongly recommended to do so.

## 04. Mortgage costs

For a standard non-resident buyer typical mortgage interest rates are around 4% fixed for 25 years and Euribor + 2% for a variable rate mortgage (aprox). Variable interest rates are typically revised annually on the anniversary date of signing the mortgage. As of Spring 2022, rates have started to rise as a result of intensifying inflationary pressures.

Interest rates are lower for fiscal residents and high value mortgages with fixed rates from 2.7% and variable rates from Euribor + 0.6% (aprox). Contracting additional bank products (insurances, alarms, credit cards, for example) or satisfying other requirements (direct debits, minimum balance or monthly deposits, for example) will usually help secure the lowest rates.

Depending on the client profile and lender conditions, rates can be lower or higher.

For non-euro earners, the majority of lenders only offer variable rates.

### Maximum Loan-To-Value (LTV)\*

Up to 70% for non-residents  
Up to 80% for residents

\*The loan amount is based on the actual purchase price or the bank valuation – whichever is the lower of the two.

### Arrangement Fees

Bank opening fees range from 0 to 1% and whilst many banks insist that the client takes out ancillary products such as home and life insurance, this isn't always the case.

### Additional costs:

Bank valuations are usually paid for by the purchaser but some banks will now cover this cost mortgage broker fee.



# Costs after purchase

01

**Local Taxes (IBI, Impuesto sobre Bienes Inmuebles)**

02

**Community fees**

03

**Non-resident Income Tax (IRNR, Impuesto sobre la Renta de No-Residentes)**

04

**Wealth Tax for Non-residents (Patrimonio)**

## 01. Local Taxes (IBI, Impuesto sobre Bienes Inmuebles)

IBI is a local tax paid annually to the local council and is calculated in accordance with the cadastral value (valor cadastral) of the land. The Cadastral Value is an administrative value objectively fixed for each property, and which results from the application of the assessment criteria specified by the corresponding municipality.

## 02. Community fees

Community fees are the expenses charged by the residential complex to which the property belongs (if it is not a single family home) and are paid monthly or quarterly. The fees vary according to the services offered by the community of owners which may include a concierge service, lift maintenance, cleaning, gardening, security, etc. Your sales agent will be able to inform you of the exact costs for a specific property.

## 03. Non-resident Income Tax (IRNR, Impuesto sobre la Renta de No-Residentes)

Non-resident income tax is a tax levied on the income obtained in Spanish territory by individuals and entities.

**/ If the property is exclusively for personal use and you do not rent it out:**

Although you do not earn an income from the property, in the eyes of the Spanish tax authorities you still derive a benefit from owning a property in Spain and therefore must pay an imputed annual income tax. The base for the applicable tax rate is generally 2% of the cadastral value of the property. The cadastral value of the property is much lower than the commercial value. The payable tax rate is 19% for EU residents and 24% for non-EU residents (of the 2% of the cadastral value).

**/ You rent out the property and therefore pay tax for the periods during which it is rented:**

The base for the applicable tax rate is the income that you receive from renting out the property. Various costs can be deducted if you are a tax resident in the European Union. For example, possible applicable deductions include costs for property management and the maintenance of the property. If you have no other source of taxable income in Spain the tax rate is 19% for EU residents and 24% for non-EU residents.

## 04. Wealth Tax for Non-residents (Patrimonio)

Current legislation establishes that anyone who owns a property (both resident and non-resident) must pay an annual estate tax. The base of said tax is the highest value of the following three: (i) cadastral value, (ii) the value verified by the Administration for the purposes of other taxes or (iii) the price of acquisition.

The base for the applicable tax is the net value of your property and other assets in Spain (stocks, bank funds, art collections, etc.). The wealth tax has a general exempt of €700,000, that is, the first €700,000 of net assets will be exempt from paying tax. The wealth tax is determined by the autonomous community so the exempt minimum may vary; in Catalonia it is €500,000, in the Balearics it is €3,000,000 and in the Community of Madrid this tax is subsidized at 100%.

The rate of this tax has a scale ranging from 0.2% to 3.5%.



# Our trusted collaborators

OROA



We collaborate with several mortgage and currency exchange companies to help make your purchase as cost effective as possible.

## For mortgage advice...

Mortgage Direct and Fer & Co are both specialist mortgage brokers with close relationships with a host of lenders, ensuring that they achieve the best possible mortgage terms for your property purchase.

## For currency exchange...

Smart Currency Exchange have helped many of our clients achieve the best possible rates when transferring funds to Spain and converting their local currency to Euros. We highly recommend using the services of an FX broker to get the most out of your budget.





The background of the slide features a photograph of a white building with a textured wall. A large, clear blue sky is visible on the left side. The number '03' is prominently displayed in the upper right quadrant of the image.

# 03

## Golden Visa



# Golden Visa

Enjoy the mediterranean lifestyle and recognised business benefits.

The “Golden Visa scheme” opens the door to investors looking to benefit from Spain’s numerous lifestyle benefits.

## Key Benefits



Visa-free travel to Spain



Free movement within the 26 countries of the Schengen zone



Opportunity to set up a business in a stable European economy



Own a home in a sought-after European tourist destination



Enjoy the benefits of security and wealth preservation offered by EU countries



All ascendants and descendants of the investor can obtain a Golden Visa / Residency Permit



## Features requirements

### Type of investment

Acquisition of immovable property or land with an overall net investment contribution above €500,000 (taxes are not included in the investment threshold). Multiple investments are allowed.

### Duration

The Golden Visa has a duration of 1 year and it can be converted into a Residency Permit. The Residency Permit has an initial duration of 2 years and is renewable for periods of 5 years as long as the investment is maintained.

### Mobility

The Golden Visa / Residency Permit allows unrestricted travel within the Schengen Area. The holder of the Golden Visa / Residency Permit has the right to remain in Spain for an unlimited period of time and in the rest of the Schengen Area for 3 months within a period of 6 months.

### Family and employment

The investors’ spouse (or person with a similar relationship), children under 18 years (and over 18 years if economically dependent) and other dependent ascendants can also obtain the Golden Visa / Residency Permit, thus enabling the entire family to benefit from the scheme. The investor and the beneficiary family members are entitled to work in Spain.

### Minimum stay

No minimum stay in Spain is required during the first year (Golden Visa) or during the further periods of 2 and 5 years (Residency Permit). The investor is not required to travel to Spain and the extension can be made by a representative. However, once the Residency Permit is granted the investor must obtain a Spanish ID card and he / she is required to appear in person to activate the ID card.

### Acquisition of Spanish citizenship

The Golden Visa / Residency Permit does not automatically entitle the investor to Spanish citizenship but he / she can obtain either permanent residency (independent from the investment) or citizenship if he / she proves effective residence (more than 183 days per year) during the legal period (5 years for permanent residency and 10 years for citizenship).

### Timing

The Golden Visa applications are processed by the Consulates and granted within 10 days of filing. The Residency Permit applications are processed electronically and granted within a maximum time limit of 20 days from filing.





04

Advise



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**Make sure you prepare everything**

in advance as there is nothing more frustrating than losing a property because key steps were missed or started too late in the process. This includes obtaining an NIE, opening a Spanish bank account or transferring funds from overseas. In a multiple offer situation or for a property that has very recently entered the market it is essential to be prepared to move quickly to seal the deal.

**If you want to finance your**

**purchase,** it is best to start consulting with lenders at an early stage. Your Sales Agent can recommend mortgage brokers who can save you time and energy to find the best deal. Some of them only charge a fee once the mortgage has been approved and the transaction closed.



**Mohammad Butt**  
Barcelona Office Director

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**Be aware that the buying process may differ**

from that in your home country. Your Sales Agent will be able to guide and advise you step by step through the process and help avoid unwelcome surprises or misunderstandings.



**Sergi Pérez**  
Head of New Developments

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**It's a good idea to contract a legal advisor**

even prior to having selected the final property of your choice. They can explain and prepare the necessary steps from a legal standpoint and prepare all the administrative requirements for you. Granting a Power of Attorney so that your lawyer can act and sign on your behalf will give greater flexibility when agreeing a date to sign.

**Listen to your Sales Agent's advice**

when deciding to make an offer on a property, as their experience and in-depth knowledge of the property market will help to determine at what price to start negotiations.



**Rod Jamieson**  
Managing Director





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