

Buying a Residential Property in Spain

Expert knowledge means success

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Introduction

Buying a property in Spain is more popular than ever. The warm healthy climate – the sunniest in Europe - appeals to the British. Disillusionment with the UK, investment opportunities, holiday homes, uprooting in search of a better life and retirement are all reasons Britons look to Spain.

The British have traditionally been the biggest second home investors in Europe representing over 50% of all property investments made. The Housing in England report 2005/06 published in October 2007 showed that there are now 211,000 English households with second homes abroad; the most popular country for a second home being Spain: 34% of all foreign properties bought over the last three years by English families were bought in Spain. This is helped by the fact that there is a wide selection of property options available to meet all requirements and that The Spanish local authorities have made great efforts to increase the number of foreign tourists and residents.

However, the market has considerably slowed in 2008. The appreciation of the Euro against the pound means that mortgage payments for Britons with mortgages in Spain are now 25% higher than a year ago. Additionally, house prices have fallen, not just because of the credit crunch, but also due to corruption, bulldozing of illegally built homes and an oversupply of expensive properties. If you have money to spend, there are bargains to be had.

Where to buy

During last decade the number of second homes has grown, on average, by 3% every year. Since 2001 more than 81,000 homes have been built on the coast line, representing 16% of total homes. Where you choose to buy will depend on whether you are buying with the intention of residency or rental income and capital growth.

Many foreign investors are looking for returns in the “buy-to-let” sector. Murcia and Almeria are two emerging areas that still offer low prices and potentially higher returns. The more well-known tourist areas,

such as Costa del Sol, Costa Brava, Costa Blanca or Costa de la Luz always attract tourist income.

The following areas are among the most popular.

Balearic Islands

The Balearic Islands include Ibiza, Mallorca and Menorca and are situated in the Mediterranean. They are popular with property investors and are famed for their beautiful scenery. They have a sunny climate, averaging 300 sunny days each year. All the islands have excellent beaches and clear seas, but each has a unique culture and countryside. Ibiza is hilly, with a pine covered landscape. Mallorca is more cosmopolitan with plains and mountains. Menorca is less developed with natural, magnificent beaches and coves.

Canary Islands

The Canary Islands include Gran Canaria, Fuerteventura, Lanzarote, Tenerife and La Palma. The islands are steeped in history - Christopher Columbus stopped here on his New World travels – and are in high demand with property investors. The climate is sunny and warm all year round, and the fine sand beaches are famous – particularly the sand dunes of Fuerteventura.

Costa del Azahar

The Costa del Azahar – the cost of the orange blossom – includes the beautiful unspoilt town of Gandia and the cosmopolitan capital town of Castellon de la Plana. The A-7 motorway has improved access to the area, which has increased its popularity with investors looking for a piece of traditional Spain. The crystal-clear sea is particularly safe along the 112 kilometres of coastline. Medieval castles, renaissance mansions and endless orange groves add to its traditional attractions.

Costa Blanca

The Costa Blanca – the white coast – includes the well-known resorts of Alicante, Benidorm and Valencia. It is an area of contrasts with dramatic mountain landscapes, small untouched villages and large beach resorts bordered by pine and eucalyptus trees. Championship golf courses, water sports, tennis and shooting are all popular. Skiing in the Sierra Nevada is only a drive away. Property prices, as elsewhere in Spain, have shown strong growth in recent years and the market remains buoyant, making this a great

Spanish property prices fall

The average price of newly built property in the regional capitals of Spain fell by 1.2% in the first 6 months of the year, the first time this has happened in 15 years, according to the latest report from La Sociedad de Tasación, Spain's largest appraisal company.

In addition, a study by the consultancy Real Estate Marketing (REM) reveals that 6 out of 10 Spanish developers are now offering discounts to buyers in an effort to make sales. When indirect discounts are included 71% of developers are offering buyers improved terms. Source: Spanish Property Insight

Spain still popular with the Brits

Spain is still a popular location among overseas property investors in the UK, it has been revealed. According to HolidayLettings.co.uk, there is no visible sign of a drop in the amount of interest in the country.

Indeed, the organisation says the Spanish market is actually performing better this year than it did in 2007.

The Spanish government remains upbeat about the country's property market, claiming the slowdown will be over by late 2009 (house prices have fallen by six per cent since hitting their peak in July 2007). The nation's housing minister Beatriz Corredor has stated that economic and property sector recovery will begin in the second half of next year. She added that the current slowdown had been needed to correct the rapidly rising house prices, which had tripled in the ten years leading to 2007.

Source: MASA International

area investing in a second home or a holiday property.

Costa Brava

The Costa Brava – the Wild Coast – is one of the most popular and busiest tourist areas of Spain. It is extensively developed, but still has beautiful scenery, coves and safe clean beaches along its 200 kilometres of Catalan coast. It has a mild climate with temperatures reaching the mid 20's in the summer. Attractions include tourist bars, clubs and casinos alongside architecture, museums and a famous zoo. Sport is well catered for with golf and modern extreme sports such as hang gliding and paragliding as well as the traditional bull fighting.

Costa Calida

The Costa Cálida – the Warm Coast – is largely free of mass tourism. Recent motorway and air travel developments are improving access to the area, making it an excellent investment opportunity. In addition to the usual attractions of beaches, countryside and climate, there are the mountain ranges of Andalucía, Castilla and Valencia, the Mar Menor lagoon, the heritage and architecture of Cartagena and the walled city of Murcia.

Costa Dorada

The Costa Dorada – the Golden Coast – includes Salou, La Pineda and Cambrils. Its clean, sandy beaches and clear water run along 200km of coastline. It has always been popular with tourists, and this was boosted with the opening of Port Aventura, a Disney-style theme park, in 1995.

Costa del la Luz

The Costa de la Luz - the Coast of the Light – includes Cadiz, Seville and Jerez. It is typified by fishing villages and beautiful but relatively quiet beaches. The countryside is rich and diverse with groves, vineyards and varied forests. It is a good choice for a property investor looking for tourist attractions, without excessive numbers of tourists! It is a popular resort in the summer, but quiet the rest of the year. The climate is mild with summer temperatures in the mid to late 30's.

Costa del Sol

The Costa del Sol – the coast of the sun - is famous for its wonderful climate and beautiful beaches which cover 160 kilometres of coastline in Southern Spain. The mountain ranges, traditional white

mountain villages and history all add to its attraction. The abundance of Superior golf courses attracts many golf tourists. The Costa del Sol has one of the most lucrative property investment markets in the world. The capital Malaga is particularly popular, with Marbella and Estepona also providing excellent investment returns.

Extramedura

Extramedura is known as the Valle del Sol. Part of western Spain, it lies north of Seville. It is a large peaceful area of unspoilt rural Spain with a countryside of rolling hills and lakes. Farming and olive growing take precedence over tourist attractions. There are two provinces in Extremadura; Bádajoz in the south and Cáceres in the north. In the middle is the capital Mérida.

Costa Almeria

The Costa Almería is known as the garden of Spain, and supplies many of the fruit and vegetables available in UK supermarkets. It has over 320 days of sunshine a year and an average year-round temperature of 19 ° C. It is more isolated and less cultivated than other Costas in Spain, but improved road and air links have resulted in increased interest in this area. Planning restrictions and improved facilities have contributed to the steadily rising property prices. Golf and watersports are well catered for here. Sierra Nevada – the skiing resort – can be found to the North. Unspoilt beaches and villages can be found at Cabo de Gato: the national park of Almería.

Buying property in Valencia

Under the Valencian Government's Ley Reguladora de la Actividad Urbanística of 1994, all land may be converted for property development, unless it has been deemed unsuitable on historical, cultural or ecological grounds. Even suelo rústico (rural land) may be re-designated as fit for property development if the town hall approves a developer's plan for such change of use.

If you are planning to buy property in the Valencian community check future development plans at the town hall and seek professional advice where necessary. If you purchase land and there is a change of classification, you should receive a notice from the town hall that you have 15 days in which to comment on the proposed new use. If planning is approved, you will be obliged to contribute to the new development. This may involve having some of your land expropriated (against exchange or

compensation which will depend on the existing classification of the land). You may also have to make a financial contribution for the construction of roads, drains, lighting and other urban development costs.

This law has been referred to the Constitutional Court and is expected to be reviewed in 2004.

Getting there

Spain is easily accessible from Great Britain, British Airways, Iberia, British Midland, Spanair, EasyJet and Ryanair all fly there regularly. Destination airports from the UK include: Alicante, Almeria, Arrecife - Lanzarote, Asturias, Barcelona, Bilbao, Fuerteventura, Granada, Ibiza, Jerez de la Frontera, La Coruna, Las Palmas Gran Canaria, Madrid, Malaga, Menorca, Murcia, Palma, Pamplona, San Sebastian, Santander, Santiago de Compostela, Seville, Tenerife North, Tenerife - Sur Reina Sofia, Valencia and Vigo

The Eurostar service runs every day between London and Ashford to Calais. From there the motorail runs to Narbonne, an hour's drive from the Spanish border. Once in Spain, there is an extensive train network, with high speed trains servicing the major cities.

Ferries operate between Plymouth and Santander and between Portsmouth and Bilbao. Both crossings take 24 hours. It is also possible to take the ferry from Dover or the Eurotunnel from Folkestone to Calais and drive through France to Spain.

Geography

Spain is the second largest country in the European Union with a land area of over 500,000 square kilometres.

Spain is located in the southwest of Europe and its territory covers most of the Iberian Peninsula - which it shares with Portugal -, the Balearic Islands in the Mediterranean, the Canary Islands in the Atlantic Ocean, and the North African cities of Ceuta and Melilla. Spain borders on France and Portugal.

The main rivers are the Ebro, the Duero, the Guadalquivir and the Tajo. The main mountain ranges are the Picos de Europa and the Pyrenees in mainland Spain and the Teide mountains in the Canary Islands.



Climate

Spain is a large country, and consequently has a variable climate. Visitors can generally expect a Mediterranean climate, with hot, dry summers and mild, rainy winters.

The vast central plateau, or Meseta, has a continental climate with hot, dry summers and cold winters. Rain typically falls in spring and autumn. The mountains surrounding the plateau have a higher rainfall and often experience heavy snowfalls in winter.

North of the Cantabrian Mountains, the Basque Country, Cantabria, Asturias and Galicia have a maritime climate, with cool summers and mild winters. The weather is often cloudy with frequent rainfall.

On the Mediterranean coast, the climate is moderate with rain in spring and autumn. Murcia has an almost African climate and is characterized by numerous palm trees. Rainfall is low and the calina, or heat haze, is common during summer.

On the Atlantic coast, the summers are cooler and fairly heavy rainfall occurs during winter. Inland, the summers are hot and the rainfall decreases.

The Balearic Islands have a maritime climate, with cool, wet winters and warm, dry summers.

The Canary Islands have an even warmer climate. The coastal areas are fairly mild, but the interior, especially in arid areas of Tenerife, can get very hot during the day with cold nights. Mount Teide is often snowcapped in winter and the vast majority of rain falls in winter.

Residency

It is strongly advisable that new residents complete all the required procedures when registering, opening a bank account, obtaining medical cover and registering cars and driving licences. This is likely to save them an enormous amount of time and trouble when dealing with other aspects of the bureaucracy.

You may apply for a "Residencia" if you wish to spend more than six months in Spain. If you are a resident, you will pay lower taxes. If you do not become a resident you will need to appoint a fiscal representative. If you spend more than 183 days in Spain during one calendar year, you will automatically become liable as a resident for tax purposes. These days do not have to be consecutive. You will also be regarded as a resident for tax purposes if your spouse lives in Spain and you are not legally separated - even though you may spend less than 183 days in Spain.

Mortgages

You can choose to apply for a mortgage in Spain or from the UK. Mortgage rates in Spain tend to be lower than those in the UK. Non-residents are generally offered a lower percentage of the value of a property as a mortgage than residents.

Exchange rate fluctuations

The price you pay for a property in Spain is usually based upon the exchange rate prevailing at the time of your offer; changes in the exchange rate will affect the end price you pay.

If you believe the exchange rate could increase the price you will pay, you should consider either buying your currency at the time the offer is accepted or buying your currency over a period of time to offset exchange rate fluctuations. Exchange rates are usually linked to interest rates and can therefore be affected by economic growth, war and natural disasters.

Banks and currency specialists can advise on currency purchases.

Note that the Sterling/Euro rate has made Spanish Euro mortgages more expensive in 2008.

Timeshare

Timeshare ownership carries many risks and dangers. Prospective purchasers are advised to study any offer carefully. They should never sign anything unless there is written provision for a 'cooling-off' period (during which time they can change their mind without incurring a penalty).

Further advice is available from: The Organisation for Timeshare in Europe, Timeshare Consumer Association and Centro Europeo del Consumidor.

Pensioners

Pensioners retiring to Spain should take into account that a basic British pension may not cover all future needs, particularly if it is subject to exchange rate fluctuations. The Benefit Agency's Leaflet, SA29 *Your Social Security Insurance, Benefit and Health Care Rights in the EEA* provides further information. Local benefit offices can also advise on the transfer and availability of social security benefits.

If you receive a UK State pension but are resident in Spain, you are entitled to receive the same free medical treatment in Spain as a qualified Spanish State pensioner. Most entitled pensioners will have already been so notified by the DHSS and provided with a form E121. If you have not heard from the Department and wish to determine your own position, you should write to:

The International Pension Centre (DWP)
Tyneview Park
Newcastle-upon-Tyne
NE98 1BA
England

If you wish to settle in Spain before the normal UK pensionable age, you should, consult your local DHSS office about medical cover, possibly under form E106. This provides for health cover benefit for a limited period until the pensionable age is reached.

Bear in mind that Spanish Health Services do not cover the wide range of assistance British

pensioners are used to in the UK, for example “meals on wheels”, cash benefits, day care centres and nursing homes. Consider taking out a top-up insurance policy that will cover private health treatment and possible UK repatriation.

The Legal Process

It is highly recommended that you employ the services of a “Gestor” in Spain. A Gestor can act as your legal and fiscal representative: they can be a friend, a neighbour, a lawyer, or your tax adviser, but they must be resident in Spain. They will be your Spanish point of contact with the tax authorities and may also arrange any licences and permits required. They can also advise on importing goods into Spain, obtaining payment of your pension in Spain, national insurance and other related matters. If your Gestor is not legally qualified, you will also need legal representation.

Your Gestor or other legal representative should ensure that the following legalities take place:

- An NIE number (Numero de Identificacion de Extranjeros) must be obtained from the Policia Nacional to enable you to undertake financial deals in Spain. (You will need to fill in a form, and provide a passport size photo, your passport and a photocopy of your passport and be accompanied by your representative). This system however is currently under review, and may even be abolished;
- A Spanish bank account is set-up for transferring funds. Find out from your UK bank whether they have any business links with Spanish banks or representation in Spain. Choose your Spanish bank carefully as running costs vary considerably between banks;
- If necessary, a Power of Attorney is drawn up by a solicitor and made official at the Notary’s office. This will allow the property purchase to be continued in your absence;
- A Property Register Extract should be obtained to show whether there are any debts against the property, such as mortgages or loans etc., and to confirm the current owner of the property;
- A check should be made with the relevant authorities – electric, water, rates etc. to make sure there are no old invoices outstanding;

- A Private (Purchase) Contract must be drawn up stating the terms of the Contract and be signed by both you as the purchaser and the seller in the presence of all relevant parties;
- The Escritura must be signed at the Notary’s Office in the presence of all relevant parties; you should receive a copy of this immediately. The Official Escritura should be returned to you once it has been checked and registered at the Property Register, some months later;
- All utilities must be signed over in the Purchaser’s name and bank authorisations completed and delivered to the relevant offices;
- It is advisable to have a Spanish will drawn up as any property you own in Spain will be subject to Spanish laws;
- All the liable taxes must be paid.

Payment Process

When the Private (Purchase) Contract is signed, it is typical to pay 9% of the property value in cash to the Seller. If you have drawn up a power of attorney, you may then return to the UK while your representative finalises your purchase. Once your solicitor is satisfied that all the paperwork and debts on the property are in order they will arrange for another 9% of the value of the property to be paid from your bank account to the Seller. The relevant section of the contract will then be signed on your behalf by your lawyer, and by the Seller. At this point, should you pull out of the purchase, your deposit in full (i.e. the 10%) will be forfeited. Should the Seller pull out, they will have to pay you double the deposit. On completion, the final documents will be signed, and the monies and keys will be exchanged.

Legalisation of Documents

Many documents originating outside Spanish territory will require legalisation in the country of origin before their use in Spain is accepted. The legalisation of British documents for use in Spain, requires the issue of an "Apostille" of the 1961 Hague Convention. A notary in the country of origin of the document should be consulted.

Documents can be legalised at:

The Legalisation Office,
Foreign & Commonwealth Office.
Old Admiralty Building,
Whitehall,
London SW1A 2LG, UK.

Tax and fees on buying residential property in Spain

There are taxes payable by both the buyer and the seller on the sale of a property in Spain.

Capital Gains Tax

If the seller does not have a Spanish Residencia on the date of the sale, he must deposit 3% of the declared value of the property as an advance payment of Capital Gains tax with the Tax Office within 30 days after signing the Escritura – title deeds - for the sale of his property. Although the seller is liable for this tax, the purchaser is responsible for the payment of this deposit. If the amount is not paid to the Tax Office, a debt may be charged against the property at the Property Register. For this reason, the 3% deposit is normally withheld from the final purchase price payment by the purchaser who then undertakes to make the payment to the Tax Office. The Seller will need a copy of the Tax receipt as this will be necessary to reclaim any amounts that may be refundable.

Capital Transfer Tax

This tax is payable by the purchaser within 30 days of the Escritura date and is 6% to 7% of the value declared in the new Escritura, depending on the Spanish Autonomous Region in which the property is located. When determining the amount to be declared in the Escritura, the Purchaser should ensure that they do not under-declare. The Tax Office has laid down guidelines for the minimum value which they would accept – approximately twice the rateable value quoted on the latest Rates Invoice for the property (IBI). Otherwise, if the Tax Office decides that the value is too low, they will re-assess the property according to their tables of values, which may be calculated at the higher Gift Tax rate and send a demand for the additional tax due. If the Tax Office over-assesses the worth of the property, the onus is then on the Purchaser to prove otherwise, which may be difficult.

Notary & Property Registry Fees

These normally amount to approximately 1% of the declared Escritura value.

Additional costs for new properties

If you are planning to buy a new property, it is strongly recommended that you engage a Gestor or other qualified individual to liaise with the constructor and deal with any transaction complexities that arise.

Payment for new properties is usually paid in stages based upon the completion of agreed items of work. The final payment is normally made after any agreed outstanding minor works are completed.

Construction Insurance

All constructors must take out an insurance against serious defects or their company going bankrupt before the building has been completed. This is a recent requirement and can take months to arrange. The cost of this insurance and any other relevant Certificates and Licences required for the construction should be detailed and included in your Contract.

Deeds

Some builders pay the cost of the Obra Nueva Escritura -The Deed for a New Property - themselves: confirm this with your constructor. It is possible to sign an Escritura of Compraventa (Deed of Sale/Purchase) at the same time as the Obra Nueva, and these documents are often merged into one. Notary and property registry fees will still be applicable for each transaction, regardless of whether the documents are merged.

In order to sign the Escritura de Obra Nueva and Compraventa at the Notary's Office, the following documents are required:

- the Building Licence;
- a "Fin de Obra" (End of Works) Certificate;
- the Architect's description of the new property; and
- the 10 year Insurance Certificate.

Purchase Price V Declared Price

The purchase price is shown on the private contract. The declared price is shown on all other legal documentation associated with the sale and is often less than the actual purchase price.

The pricing is negotiable between the buyer and seller.

The lower the declared price, the less Capital Gains Tax the seller need pay, but the higher the potential tax liability for the purchaser on re-sale.

In the past the Spanish tax authorities have overlooked this practice. Now it has minimum guidelines for valuation. Your solicitor will normally recommend you try to negotiate a declared price of around 80%.

IVA (VAT)

If you buy a plot of land and sign an Escritura on the plot alone, you will pay 16% IVA. If you subsequently build a property on the land and sign a separate Escritura for the Obra Nueva, there will be a further 7% IVA to pay on the property construction. If you wait and sign everything once the house is complete, you will only pay 7% on the total price. It therefore makes financial sense to wait and sign when your house is complete, to avoid the higher rates of IVA charged when purchasing a plot of land alone.

Similarly, some alterations, for example the building of a garage or swimming pool made after the property has been constructed and registered will attract a separate IVA of 16%.

Government Registration Tax

Once the Escritura has been signed, you will have to pay a Government Registration Tax of 1% of the declared value of the new dwelling for non residents, and 0.1% for residents.

Habitation Certificate

Once the Escritura has been signed, a Boletín (report) on the electrical and water installations is sent with the Cedula de Habitabilidad (Habitation Certificate) application to the Town Hall. If the Town is satisfied that the property has been built in accordance with the plans submitted and is habitable it will issue the Cedula. Electricity and water contracts can then be drawn up in the new owner's name, and the new meters and connections must be paid for. This can take months to arrange, so you may be on a temporary building supply for the first few months. Again, who pays for this needs to be determined with the constructor.

Tax Position for UK Property Investors

The Spanish tax year runs with the calendar year from 1st January to 31st December.

In addition to the Income Tax and Wealth Tax listed below for property owners, Spanish properties incur the following taxes:

- Basura are the municipal taxes which must be paid to the Town Hall (Ayuntamiento) for rubbish removal. The annual cost varies from one town to another between 30 – 90 Euros.

- Local Authority Rates (IBI) are based on the rateable value of your property (Valor Catastral). This annual tax is typically charged at between 0.5% and 0.7% of the rateable value.

Capital Gains Tax applies differently to residents and non-residents. It can be a complex calculation dependent upon date of purchase with inflationary reliefs applicable.

Resident's Tax liabilities

If you are resident in Spain you will be liable for income, capitals gains and succession duty (inheritance tax) on your worldwide assets. This is in addition to other incidental tax liabilities such as IVA (VAT) and gift taxes. Gift tax and inheritance tax in Spain are payable by the receiver of the gift or inheritance.

Your tax obligation as a Resident is:

- Income Tax (Renta) on all income received worldwide, with allowances;
- Wealth Tax (Patrimonio) on property and other funds, with allowances;
- Capital Gains Tax at a rate of 15% of net profit. Gains from assets held for less than one year are treated as income tax and taxed accordingly. For property, there is up to 100% roll-over relief on your main residence if the gain is re-invested in the new main residence within two years of the sale. If only half the gain is re-invested, then half is taxable. If you are 65 years or over and have lived in your main residence for over three years and are Spanish tax-resident, the gain is tax-free and there is no need to buy a new property to claim roll-over; and
- Succession Tax (Inheritance or Gift Tax) on worldwide inheritance or gifts, with some allowances.

Non-Resident's Tax liabilities

Your tax obligation as a Non-Resident is:

- Income Tax (Renta) on Spanish income, without allowances, and on the own use of your property, based on the rateable value. The amount of Renta payable is dependent on the proportion of time your property is let out, and the proportion of time it is available for your own use;
- Wealth Tax (Patrimonio), based on the Escritura value of your property in Spain with no allowances;

- Capital Gains Tax at a rate of 18% of net profit. Gains from assets held for less than one year are treated as income tax and taxed accordingly. If selling a property, 3% of the new declared Escritura value will need to be deposited with the Hacienda as an advance payment of any Capital Gains Tax on the sale. Any refund will need to be applied for and can take up to two years to be repaid. Non-residents cannot roll-over the gain into a new home; and
- Succession Tax (Inheritance or Gift Tax) on Spanish property.

Tax on Rental Income

Britain and Ireland have a double taxation treaty with Spain. Tax is paid on the declared income from the property and your rental income must also be declared to the inspector of taxes in Britain or Ireland.

The Spanish Finance Ministry publishes a booklet in English entitled "Taxation Regulations for Foreigners", available from the Servicio Central de Información del Ministerio de Hacienda. Further information can be found at their website: www.aeat.es.

Rental regulations

Rented accommodation is regulated. It prescribes that rents, contract duration and renewal periods can be agreed between the landlord and tenant. The tenant has a guarantee of renewal, if sought, for an initial period of five years.

Rents are usually updated on a yearly basis during the initial five years on the basis of the Consumer Price Index. If the tenant wishes to terminate the contract at the end of the initial period or at one of its yearly renewals they must give one month's clear notice. Failure to give proper notice may mean the tenant will be liable to pay compensation to the landlord.

There is provision for the tenant to pay a deposit of one month's rent for unfurnished accommodation or two for furnished accommodation. This is lodged with the local autonomous community as a guarantee to both tenant and landlord. Additional guarantees may also be negotiated.

Advice to Buyers

The following advice may be helpful:

- Determine your budget based on your capital and what mortgage you can afford. Remember that non-residents will have to provide a larger cash deposit than residents.
- Determine the area of Spain you wish to consider. This will be affected by the type of climate you prefer, whether you are buying-to-let or planning to take up residence and what type of activities and facilities you enjoy. Consider renting a property while you investigate your chosen area.
- Use an estate agent. They will be able to show you a selection of properties in the area of your choice and have an idea of the value of the property of your choice.
- View the property several times, and if possible, visit the property/area at various times of day and/or on different days (e.g. early morning, during working hours and at night-time, week-day and weekend)
- If possible, speak to neighbours about the area (ask about neighbour and neighbourhood problems) and also if they are familiar or know anything about the property itself
- Check the property has and is connected to services such as telephone, electricity, mains water and sewage – these are particularly important points for rural properties. Where the services are not currently connected, it may not be possible to obtain them or be cost prohibitive.
- Use the services of a reputable local lawyer. Only a lawyer will know all the checks that should be made before parting with money.
- You must use the services of a Public Notary. The Notary is not acting for you and will not give advice. He/she is an official of the state whose job is to ensure that all transactions are in the proper form.
- Remember that the parties to a sale and purchase have to appear in person before the Notary at the same time. If they do not want to appear in person, they can give power of attorney (in the Spanish form) to their lawyer (or anyone else) to represent them.
- Obtain an estimate of legal fees and disbursements including the fees of the Notary and the Property Registry and for the power of attorney and confirm who is responsible for payment of the Notary's fees and any capital gains tax which may arise from the sale.

- Unless you speak fluent Spanish, always have documents translated for you into English by someone you can trust. It is worth the expense of having lengthy documents translated, e.g. title deeds, so that you understand fully what the original documents say and mean.
- Ask your lawyer to confirm to you into writing that there is no mortgage or other charge or encumbrance registered on the property you are intending to buy, that it is registered in the name of the seller, and that there are no outstanding local taxes or capital gains tax ('plusvalía'). Make sure that all the community payments are up to date. In Spain, blocks of flats and houses form communities and pay a monthly amount which covers communal expenses, e.g. water bills, electricity in communal areas and sometimes central heating. If you buy a property which has these payments outstanding, you will be liable for them as the new owner.
- Get the property surveyed for structural defects. A builder or architect may do this, however for complete peace of mind you should use a Qualified Surveyor or Buildings Engineer
- Seek legal advice BEFORE signing anything or handing over any money (even if a new build from a seemingly reputable building company) – ownership and outstanding debts on the property need to be checked thoroughly

Although the Foreign and Commonwealth Office cannot give legal advice on buying a property in Spain, each consular post can supply a list of local English-speaking lawyers that can advise you.

Useful Addresses

The Legalisation Office

Foreign & Commonwealth Office.
Old Admiralty Building,
Whitehall
London SW1A 2LG
Tel: +44 (0) 207 008 1111
www.fco.gov.uk/legalisation

HM Revenue & Customs International Division (Double Taxation)

HMRC International
Victory House
30-34 Kingsway
London
WC2B 6ES
Tel: +44 (0) 207 438 6622
www.hmrc.gov.uk/international/dtr1.htm

The British Consulate in Spain

www.ukinspain.com

The Spanish Inland Revenue

www.aeat.es

The Foreign & Commonwealth Office in London

www.fco.gov.uk

Institute of Foreign Property Owners

(Instituto de Propietarios Extranjeros)
Conde de Altea 33
03590 Altea (Calpe)
Tel: +33 (0) 95 584 32 12

Association of Spanish Property Owners

West Heath House
32 North End Road
London. NW11 7PT, UK

Timeshare Consumers Association

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Nottinghamshire, S81 0TF, UK
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Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

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