

BUYER'S GUIDE

YOUR ESSENTIAL GUIDE TO PURCHASING
PROPERTY IN SPAIN







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INTRODUCTION

Buying a property in Spain is an exciting investment, whether for personal use, retirement, or rental income. However, the process can differ significantly from other countries, and it's essential to understand the legal requirements, financial considerations, and potential pitfalls before making a decision.

This guide provides an overview of the property buying process in Spain, covering key steps, costs, and legal considerations. While it offers a structured outline of the process, every transaction is unique, and specific details may vary based on individual circumstances. For any detailed questions, legal advice, or personalized assistance, we encourage you to contact our team at Alamo Costa del Sol. Our experts are here to guide you through every stage of your property purchase, ensuring a smooth and informed buying experience.



DEFINE YOUR *BUDGET* & FINANCING OPTIONS

Before starting your property search, it's important to determine your budget. Consider:

- Your available funds for the deposit and purchase costs.
- Whether you need a mortgage (and how much you can borrow).
- Additional costs such as taxes, legal fees, renovations, and ongoing property expenses.

If you require financing, securing a mortgage pre-approval is advisable before making an offer. Spanish banks typically require a 30-40% down payment for non-resident buyers.

💡 Tip: If you're a cash buyer, you may have stronger negotiating power and can often secure a lower purchase price.



UNDERSTANDING *MORTGAGES* IN SPAIN

Spanish banks evaluate mortgage applications based on:

- **Income & Employment Stability:** Proof of regular income (pay slips, tax returns, bank statements).
- **Debt-to-Income Ratio:** Your total monthly debts should not exceed 30-35% of your monthly income.
- **Loan-to-Value Ratio (LTV):** Non-residents can typically borrow 60-70% of the property value, while residents can obtain up to 80%.
- **Credit History:** Banks may review your international credit records.

💡 Tip: Work with a mortgage broker to compare bank offers and secure the best deal.

PROPERTY TYPES & OWNERSHIP STRUCTURES

- **New-Build vs. Resale Properties:** New properties may have higher taxes (VAT at 10%), while resale properties are subject to property transfer tax (7%)
 - **Off-Plan Properties:** Buyers can secure properties at lower prices before construction but should ensure developer guarantees.
 - **Rural Properties & Land Considerations:** Extra legal due diligence is required to confirm building permissions.
 - **Co-Ownership & Investment Purchases:** Understanding shared ownership structures and obligations.
- 💡 Tip: Always verify land registry details to confirm property classification and avoid zoning issues.



ROLE OF PROFESSIONALS

- **Real Estate Agent:** Helps in finding properties, negotiating offers, and guiding you through the process.
- **Independent Lawyer:** Ensures legal due diligence, contract reviews, and protects buyer's interests.
- **Notary:** Oversees the official signing of property deeds and ensures tax payments.
- **Mortgage Broker:** Helps secure the best financing options with banks.
- **Tax Advisor:** Advises on tax obligations for residents and non-residents.

💡 Tip: Always consult a lawyer to protect your rights and avoid legal pitfalls in the buying process.





COMMON *PROBLEMS* WHEN PURCHASING IN SPAIN

While purchasing property in Spain is generally straightforward, some challenges can arise. Being aware of these issues can help prevent delays or financial risks:

1. Legal & Ownership Issues

- Unclear Property Titles: Some properties may have outdated or incorrect ownership records.
- Illegal Constructions: Some extensions or renovations may not have the necessary permits.
- Coastal Law (Ley de Costas): Properties near the coast may be subject to government restrictions.

💡 Solution: Hire a lawyer to conduct thorough due diligence before proceeding.

2. Hidden Debts & Unpaid Fees

- Properties may have outstanding utility bills, community fees, mortgages, or property taxes.
- These debts can be transferred to the new owner if not settled before purchase.

💡 Solution: Your solicitor should verify all debts and request a Nota Simple from the Land Registry.

3. Issues with Off-Plan or New-Build Properties

- Delays in Construction: Developers may exceed expected completion timelines.
- Missing Bank Guarantees: In case of non-completion, the developer must provide a financial guarantee.
- Construction Quality Issues: Snagging lists may reveal defects after handover.

💡 Solution: Only buy from reputable developers and ensure all bank guarantees are in place.

4. Mortgage & Financing Difficulties

- **Longer Approval Times:** Spanish banks take longer to approve non-resident mortgages.
- **Higher Deposit Requirements:** Non-residents must provide a 30-40% down payment.
- **Interest Rate Variability:** Some mortgages have fluctuating rates based on Euribor.

💡 **Solution:** Work with a mortgage broker and compare multiple lenders.

5. Tax Miscalculations & Additional Costs

- Some buyers underestimate property transfer taxes, VAT, notary, and legal fees.
- If buying a rental property, failing to account for rental income tax obligations.

💡 **Solution:** Consult a tax advisor before purchase to understand total costs.

6. Bureaucratic Delays & Registration Issues

- The Land Registry process can take weeks or months.
- The NIE application (foreigner tax ID) may take longer in high-demand areas.

💡 **Solution:** Start paperwork early and work with professionals familiar with the system.

COMMON *SCAMS* & RED FLAGS

- **Fake Property Listings:** Always verify properties through reputable agencies.
- **Illegal Extensions or Lack of Building Licenses:** Check that modifications are properly registered.
- **High Upfront Deposits Without Contracts:** Never pay a reservation fee without written confirmation.



UNDERSTANDING *TAXES* & ONGOING EXPENSES



ONE-TIME PURCHASE TAXES & FEES

TRANSFER TAX (ITP) – FOR RESALE PROPERTIES

- This tax applies when purchasing a second-hand (resale) property.
- The rate is 7% of the property price.

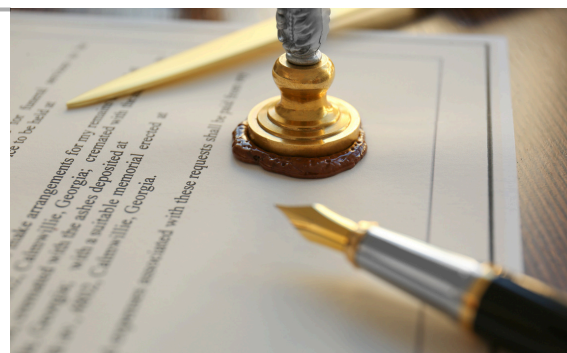


VAT (IVA) & STAMP DUTY – FOR NEW BUILDS

- Buyers of new-build properties must pay 10% VAT (IVA) plus 1.5% stamp duty.
- This applies when purchasing directly from a developer.

NOTARY & LAND REGISTRY FEES

- These fees cover the legal formalization of the purchase and registering the new ownership.
- Costs range from 0.4% - 0.6% of the purchase price.



LEGAL FEES

- Hiring an independent lawyer is highly recommended for due diligence and contract verification.
- Legal fees typically range from 1% + VAT of the purchase price, with a minimum cost of €1,500 - €3,000.

MORTGAGE COSTS (IF APPLICABLE)

- If financing the purchase, buyers should budget for:
- Mortgage arrangement fees (1% - 2% of the loan amount).
- Property valuation fees (~€350).
- Stamp duty on mortgage (AJD) (typically 1.5% of the mortgage amount).



ANNUAL PROPERTY TAXES & ONGOING COSTS

IBI (Impuesto sobre Bienes Inmuebles) – Annual Property Tax

- This is a municipal tax based on the property's cadastral value (not market value).
- Rates vary by municipality but generally range between 0.4% - 1.1%.
- Paid yearly to the local town hall.

Non-Resident Income Tax (If You Don't Live in Spain Full-Time)

- Non-residents who own property in Spain must pay a deemed rental income tax, even if the property is not rented out.
- Tax rate for EU residents: 19%.
- Tax rate for non-EU residents: 24%.
- If the property is rented out, rental income is taxable.

Wealth Tax (Impuesto sobre el Patrimonio)

- Applies to high-value property owners with net assets exceeding €700,000 (varies by region).
- Rates range from 0.2% to 2.5%.

Community Fees (For Apartments or Gated Communities)

- Monthly fees for the maintenance of shared areas like gardens, pools, and security.
- Costs depend on the services provided and size of the complex but typically range from €50 to €500 per month.

Home Insurance

- Essential for protecting against damage, theft, and liability claims.
- Annual costs range from €150 - €600, depending on coverage.

Additional Costs to Consider

- Utility Bills (Electricity, Water, Gas, Internet): Varies depending on consumption and provider.
- Waste Collection Fees: Typically charged by the local municipality.
- Banking Fees: Some Spanish banks charge maintenance fees for non-resident accounts.

 **TIP: IT'S IMPORTANT TO BUDGET NOT JUST FOR THE PURCHASE PRICE BUT ALSO FOR THESE ONGOING EXPENSES TO ENSURE SMOOTH PROPERTY OWNERSHIP IN SPAIN.**

TIMELINE OF PURCHASE

01

MAKING AN OFFER

- Once you find a property, submit a formal offer through your real estate agent.
- Negotiations may take place before reaching an agreement.
- Ensure any agreed-upon conditions (such as furniture inclusion) are documented.

02

SIGNING THE RESERVATION CONTRACT (CONTRATO DE RESERVA)

- A contract that secures the property for a set period (usually 14-30 days).
- A €6,000 - 10.000€ deposit is paid to take the property off the market.
- Signed by both the buyer and seller, outlining price and key terms.

03

LEGAL DUE DILIGENCE

- Your solicitor verifies:
 - Ownership & title deed status.
 - Any outstanding debts, taxes, or legal claims.
 - Validity of licenses and community fee obligations.

04

SIGNING PRIVATE PURCHASE CONTRACT (CONTRATO DE COMPRAVENTA)

- A legally binding agreement confirming the sale terms.
- Includes a comprehensive legal description of the property.
- 10% deposit of the purchase price is paid by the buyer.

05

SIGNING THE TITLE DEED (ESCRITURA DE COMPRAVENTA)

- The buyer, seller, and notary meet to formalize the sale.
- The remaining balance is paid, and the keys are handed over.
- The notary certifies the transaction and ensures all obligations are met.

💡 Tip: Always attend the notary appointment with your lawyer or give them power of attorney to handle the process on your behalf.

06

REGISTERING THE PROPERTY

- The solicitor submits the signed title deed to the Land Registry.
- A Copia Simple (temporary deed copy) is issued for utility setup.
- Registration completion takes several weeks, at which point the buyer officially appears as the property owner.


CONCLUSION


Purchasing property in Spain follows a well-defined legal and financial process, requiring proper documentation, legal checks, and tax payments.

By following this timeline and working with the right professionals, you can ensure a smooth and secure purchase.

At Alamo Costa del Sol, we are here to support you through every step, from selecting the perfect property to handling post-purchase formalities.

If you have any questions or need expert assistance, don't hesitate to reach out.

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