



## BUYING REAL ESTATE IN SPAIN - FAQs

### *1.- Which steps do I have to go through in order to buy real estate in Spain?*

As a general rule, buyers have to undertake the following steps:

- a) Sign a purchase and sale agreement;
- b) Execute a deed;
- c) Pay property transfer tax;
- d) Lodge the transfer of title before the Land Registry Office and the local Tax Office.

### *2.- What is a purchase and sale agreement?*

The purpose of this agreement (*contrato de compraventa*) is to define the terms of the sale. The buyer usually fronts a percentage of the total price (*between 10%-15%*) which can be the object of a penalty clause (ar-

ras penales). Should this be the case, the buyer will receive the deposit in double if the seller goes back on his promise. If it is the other way round, the buyer will lose the deposit.

### *3.- How much property transfer tax is the buyer subject to?*

The regions in Spain (comunidades autónomas) decide how much transfer tax is levied, so there isn't one rate for the whole country. It is indispensable to check this first so as to avoid any unpleasantness later on. We'll compare a few regions and their present rates<sup>1</sup>.

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<sup>1</sup> Tax rates may be subject to changes by the regional Governments.

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ANDALUSIA	
PURCHASE PRICE (€)	RATE (%)
0 – 400,000	8
400,000.01 – 700,000	9
700,000.01 onwards	10

According to the scale, if your property costs € 700,000, you will pay a total of € 59,000 in transfer tax as follows: € 32,000 in the first bracket (€ 400,000 \* 8%); € 27,000 in the second bracket (€ 300,000 \* 9%).

BALEARIC ISLANDS	
PURCHASE PRICE (€)	RATE (%)
0 – 300,000	7
300,000.01 – 500,000	8
500,000.01 – 700,000	9
700,000.01 onwards	10

MADRID	
FLAT RATE OF 7%	

CANARY ISLANDS	
FLAT RATE OF 6.5%	

ing to the municipality your real estate is located in:

REAL PROPERTY TAX	
MUNICIPALITY <sup>2</sup>	RATE (%) <sup>3</sup>
Madrid	0.5810
Barcelona	0.75
Málaga	0.4788% (levied when property tax value is over € 72,120.20)

### **5.- Is it a good idea to acquire a company that already holds real estate?**

The Spanish Fraud Act (Law 7/2012, of October 29) has amended the Securities Exchange Act in order to exempt the acquisition of companies that hold real estate from property transfer tax. However, such exemption is only applicable when the company's real estate is allocated to its business e.g., hotel or mining activities, hospitals, solar or wind farms... This would represent savings of 7%-10% in any acquisition as per above. On the other hand, any purely speculative operations would be subject to property transfer tax.

2 Rates are usually reviewed by the local government on a yearly basis.

3 Rates applicable to residential property; other types of real estate may be subject to different rates.

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### **4.- Are there any other taxes?**

Yes, there is real property tax charged at a percentage of the rateable value. In this last case rates will vary accord-

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### ***6.- Do all transactions go through a notary's office?***

Yes, a public deed must be executed before a notary.

### ***7.- What happens after the deed?***

The transfer of title must be lodged before the relevant Land Registry Office and the local Tax Office.

### ***8.- Is tax residency mandatory?***

Buyers need not become tax residents in Spain. However, a Spanish tax number must be obtained and a tax representative appointed. The only exception to the appointment of a tax representative is when the buyer is a EU national (this only applies to individuals; EU companies must appoint a tax representative).

### ***Further information***

If you would like to discuss the buying of real estate or request additional information, please contact our office in Madrid:

**Tel:** (34) 91 420 24 27

**E-mail:** [madrid@avinalabogados.com](mailto:madrid@avinalabogados.com)

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