

HAMILTONS
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Buying Property in Spain



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Your first steps.

Before beginning your property search you will need to think long and hard on where you would like to be. Spain is a big country and narrowing your initial search down to a particular area will save you a lot of time, money and energy.

It may mean that you will need to visit Spain a number of times before you actually decide on where you would like to settle or even stay in different areas for a while to ensure that is really where you want to be.

Spain has much to offer from the normal sandy sunny beaches of the Costa Blanca to the snow capped mountains of the interior where some of the best ski resorts can be found.

When choosing, make sure you do so carefully. With purchase taxes currently standing at 7% it could be an expensive mistake if you suddenly decide that the property you have purchased is not really where you wanted it to be or even the type of property you wanted.

It is also very important to choose your Estate Agent carefully. There are many agents out to make a quick buck and this includes some of the big name companies. If you are feeling pressured in to buying a property, stop!

Chances are you are being pushed into something you don't really want by a clever salesman looking to close a deal so that he can collect his commission, so if they sit you down and ask you to start signing, don't do it unless you are 100% in **your** own mind it is exactly what you are after and it is the right price.

Hamiltons of London has a no pressure sales policy. We prefer you to enjoy your trip and we let you decide how to plan your viewing experience. See our website in the 'inspection trips' section for further details.

However, once you have decided on your location and property type Hamiltons of London is sure we will be able to find the property you have been dreaming about and if we don't have it in our own vast portfolio we will do the leg work for you and speak to other agents meaning you only have to deal with one company.

Some things to take into consideration:

Emotional factors;

Neighbourhood! where do you want to buy your home? Factors such as parents, friends and family should be taken into consideration.

Objectives;

These include prices in the area but you will also need to consider the following:

- Medical service.
- If you have children, are there any schools or nurseries nearby and are the schools/nurseries suited to your children?
- Transport services. Do you need to rely upon public transport? If so this should be an important factor when looking for your home.
- Shops, bars and restaurants. Do you want these within easy walking distance?

How much will it cost?

You will need to work out exactly what you can afford to spend when buying a property in Spain and you should bear in mind the following one-off costs:

- IVA (V.A.T.) – 7% (dependant on area) of property purchase price, new build.
- Stamp duty (purchase tax) – 6-8% on the property price, resale.
- Notary fees – Approx €650.00.
- Land registry – approx €250.00.
- Legal fees – Around 1% of the property value.

Generally, if you allow 10% of the purchase price for costs, you should be covering all your expenses unless something out of the ordinary crops up.

**please note that the above costs are a guideline only and you should check with you solicitor for exact costs prior to purchasing*

What type of property suits me?

Now that you have decided on your location and your purchase price, it is time to choose your property.

The next decision is on what type of property you are looking for. Obviously the price you can afford will have a big bearing on property type and style but here are some examples of property types you could be looking at:

Apartments:

These are usually in a purpose built block and quite often come with a communal pool and gardens. You will normally be required to pay a community charge per annum for the upkeep of these and the maintenance of the block.

Townhouses:

These can vary in design and style. For instance, you can choose between a typical Spanish Town House, usually quite old and in the centre of town, or there are the new style of town house which are two or three storey properties, often with their own small garden, and many newer town houses quite often have a communal pool for which you will have to pay a community charge.

Villas:

A Villa can be detached or semi-detached with private garden. Many have a pool or room for a pool. Villas can be located anywhere except for city or town centres and can be found on urbanisations or in the country, on the coast or inland.

Fincas:

Think of a farm house in the U.K. and you will be thinking of a Finca and they usually come with a good piece of land. Usually found in more rural areas so transport will be necessary, and you will need to check that utilities are available prior to your purchase. Once upon a time, many of these needed restoration but over the years most of these have already been restored to a high standard, especially around the coastal areas and surrounding countryside so if you want something to renovate for yourselves you may have to look inland a bit further.

Your choice will quite often depend on your own circumstances of course and will involve decisions such as whether the property is an investment (location and values will be important), holiday home (do you want to be on the coast) or permanent relocation (do you have a young family, will they need schools and do you need to be close to amenities?).

Searching for and viewing properties.

The internet is the best way to search for a property in Spain. Hamiltons of London has a vast portfolio of properties, over 1,600 on the Northern Costa Blanca and Costa Azahar alone at the time of writing this article; you can view these at www.hamiltonsoflondon.net. If you don't see what you want there you can simply email us at sales@hamiltonsoflondon.net or fill in the contact form with your criteria as we are always taking on new properties, and we are also able to search on other local agencies portfolios on your behalf to save you the time and energy.

When you are ready to come to Spain and start viewing you can either let us know and we will arrange an inspection trip for you, or you can come under your own steam. At Hamiltons of London we don't put any pressure on prospective purchasers in any way, preferring to let you make your own decisions without the hassle of a sales representative breathing down your neck to buy a property. For further information about inspection trips please visit our website at www.hamiltonsoflondon.net/inspectiontrips

Whatever you do, though, make sure that you have a good list of properties ready to view prior to coming to Spain. This will save a lot of time and effort for you and your agent, and will mean that if you have a full itinerary before you arrive, you will be able to view more properties in the time you have allocated.

When viewing properties several questions need to be taken into consideration. We would like to point out that perfection doesn't exist and you will need to remember that whatever the tick boxes you have; you simply won't be able to tick them all. What you will have to take into consideration more than anything is what the property has to offer in relation to the price.

Don't make any impulsive decisions or be pressured into buying by your agent. Go back as often as you want until you are completely happy with your choice, and then you're ready to begin the process.

NIE number

An NIE Number is a tax identification number to be used in Spain. Prior to purchasing a property, selling a property, obtaining a mortgage, starting up a business or working in Spain, it is a requirement by law that every individual possess an NIE Number.

The actual NIE Number, when produced from a National Police Station in Spain is printed out on a piece of paper, and this sheet of paper is often used as a form of identity. Once you have been issued an NIE number, it is yours for life.

Spanish law states very clearly that the person must apply for the documents in person. However, the Spanish law also clearly states that a legalised, Spanish power-of-attorney document enables any individual to be represented by another for all legal purposes in Spain (as long as it is declared as such within the power-of-attorney).

Of course, anyone that can enter Spain legally can apply for their own NIE number. To do this they must present themselves at the National Police Station in whatever town they are living. Unfortunately, contrary to countries such as England and Ireland, there is very little standardization for exactly how the physical process of application works from one police station to the next, so if you chose to apply in person, please make sure you find out beforehand which are the requirements to apply for a NIE Number at your local police station. This will save you from having to arrange several trips to have your application presented, with the corresponding lengthy queues.

You can also apply through a Spanish Consulate. The average time required for an individual to obtain their NIE number via applying through a Spanish consulate is 12 weeks. This varies from one country to the next. We encourage people to contact their closest Spanish consulate first and enquire about their turnaround time.

If you are buying a property through Hamiltons of London and you don't yet have an NIE number, we are able to assist in this process. Please feel free to ask us for further details.

Bank Accounts

If you intend to stay in Spain for a significant period, it is advisable to open a bank account. It is a very simple procedure which can be done at home or upon arrival. All you need to bring with you is your valid passport and the initial deposit. Banking hours for most banks are between 9am and 2pm on weekdays and from 9am until 1pm on Saturdays.

A Bank account will also be useful in the event that you wish to set up direct debits for payments such as mortgages, utilities, insurances etc.

There are many banks and all banking activity is controlled by the Bank of Spain (Banco de España), which has its central office in Madrid and branches in all provincial capitals.

Most Banks tend to provide English Speaking staff and these are some of the things you should take into account prior to choosing your new bank.

- Do they have English speaking staff?
- Do they have English internet banking facilities in English?
- What type of Bank do you want? I.E. a Savings bank (Caja de ahorro) or a regular bank.
- What charges will they make? Most things that a Bank does for you are chargeable here in Spain but you will need to find out the costs involved, especially for large transactions such as transfers from or to a U.K. Sterling account.
- Their location to your property. Will you have to drive miles to your nearest ATM or to visit your Bank?

Lawyers (Abogado)

One of the most important things at this stage is making sure you have legal representation.

You probably wouldn't buy or sell a property where you currently reside without using the services of a solicitor and the same should apply here in Spain.

Your consulate can provide a list of English speaking solicitors although this is not a recommendation in any way. If you have internet access you should do a search of the Spanish Property forums and either look for an English speaking solicitor that has been recommended, or ask on the forum if anyone can recommend one in the area that you are looking in. Quite often someone will be able to give you the details of a solicitor they have used.

Alternatively, speak to your bank, look in your local English speaking newspaper or magazine or, and this is probably the best way to find a good lawyer, ask around for recommendations.

Your solicitor must be fully conversant with Spanish Law and must be able to speak Spanish and English.

Solicitors are regulated by the Ilustre Colegio de Abogados and you are able to complain to this organisation if you need to.

Fees for lawyers vary as they do anywhere, but a general rule of thumb would be around 1% of the purchase amount. Some, however, will try to charge more if they can get away with it.

Establish an agreed fee before employing a lawyer and you won't be disappointed.

The alternative to a Lawyer is a *Gestor*. These are similar to a conveyancer in the U.K. And, as is the case with Lawyers, they also have a Colegio where you can complain if you feel the need to. Gestors also tend to be a bit cheaper than Lawyers.

Duties of your Lawyer

There are many, but it need not be as complicated or time consuming as it is in the U.K. Among the duties of your Lawyer or Gestor are:

Checking the Escritura: Every property should have an Escritura. Some of the things your lawyer will ensure are that the plot on which the house stands is where it says it is, the size is correct and the owners are who they say they are. These are just a few of the checks he will undertake but among the most important.

Checking the Referencia Catastral and Certificado Catastral.

Checking the Plan Parcial if the property is on an Urbanisation.

Checking the building permits if buying a plot.

Obtaining a Nota Simple which will show if there are any debts on the property.

Checking the receipt for the Impuesto Sobre Bienes Inmuebles or the Declaración de Obra Nueva.

Checking that there are no outstanding bills for:

- a. Community charges
- b. Electricity
- c. Water
- d. Rubbish
- e. Telephone

Note: Debts remain attached to the property and not the individual and it is therefore important that a local lawyer conducts the necessary searches and checks to ensure that your property is free of any debt before completion.

Checking the contract for any irregularities prior to any deposits being paid and to explain the contents to you so that you understand fully what will happen if anything goes wrong.

Advising you of all the fees and taxes involved.

Checking the Escritura de Compraventa which is signed before the Notario and to explain how it all works on the day of completion.

Explain the process of paying for your property at the Notary and helping you organise any financial transactions that need to take place prior to and at time of completion.

Explain the post completion process and what will happen to your documents.

Making an offer

You have seen a property you like and are ready to make an offer. The system for this is exactly as it is in England. You decide what sort of offer you wish to make and advise the Estate Agent.

They will contact the owners and put your offer to them and they will either accept or decline. If accepted, all well and good, but if declined you can go back and make further offers until you both reach an agreement or until you decide that you don't believe the property is worth the value being placed upon it.

Formal Acceptance

Once negotiations have been agreed upon you will need to formalise this in writing by way of a contract and the laying down of a deposit.

This initial deposit can vary but is usually around three thousand euros. This deposit will secure the property for you until your lawyer has carried out the necessary checks and will give you enough time to raise the finance to buy the property if necessary.

Your lawyer should ensure that the contract is correct prior to paying the deposit or signing the contract. When you and your lawyer are happy, you should sign the contract and pay the deposit as quickly as possible in order to ensure that the property is taken off the market and that you cannot be gazumped without a penalty applying to the vendor.

If the seller failed to complete on the sale purchase, i.e. signing the deeds of sale purchase at the notary on the date agreed, the seller would have to refund to the buyers double the amounts of deposit(s) paid by the buyer. If the buyers were not able to complete on the sale purchase the vendors simply keep the deposit(s) paid.

Pulling out of the sale contract without penalty is possible for the purchaser under certain circumstances such as: the property is not correct as per the escritura pública, there are debts against the property or certain paperwork is not in order. Your Lawyer will advise you of any irregularities and if it is possible for those irregularities to be corrected prior to or at time of completion. It would be prudent to point out at this moment in time that there are many, many differing problems encountered during this process.

However, don't be disillusioned because a great deal of them can be rectified prior to or at the time of completion. Your Lawyer will be able to advise you of these problems and what action they can take at that time.

Exchange of Contracts.

Usually within two weeks of signing the Formal Acceptance contract you will be required to pay a further 10%-30% of the purchase price, depending on the type of property and/or mortgage arrangement.

At the exchange point you will sign a private contract with the vendors. Your lawyer will need to ensure that everything is correct as the contract is usually raised by the Estate Agent. The contract will show important factors such as the final completion date, the price you are paying for the property, the amount of deposit and the terms regarding the deposit, and who pays what fees and taxes.

Final completion

This is when you finally take possession of your property. On the day of completion the deeds will be signed in front of the notary by both the vendor and purchaser. The final payment will be made to the vendors at this point. You now take full possession of the property and don't forget to get the keys!

The Notary: Is an official of the state and is not a private lawyer. It is his duty to ensure that the sale of the property is officially noted and registered. He is not able to act in any way on your behalf although he is able to advise you.

Payment will usually be made by a banker's draft, drawn on a Spanish Bank account or in some cases, in cash! It is important to speak to your lawyer about the final payment as many have experienced problems on the date of completion due to cleared funds not being available. If you intend on using a euro cheque drawn on a British or other foreign account, or you intend on using any other method except that of a banker's draft from a Spanish bank, it would be wise to ensure that the vendors are happy with this well before going to Notary.

Registration

Your lawyer (or you if you don't have a lawyer) will be responsible for making sure that the documentation is registered at the property register where the Escritura de Compraventa will become your Escritura Pública. This will take two to three months. There will be taxes to pay at this point and once again your lawyer will advise you on amounts to pay and will usually collect this from you in advance, and return any funds that are not needed once the process is complete.

Post completion

At this point you will need to change all utilities into your own name. Your lawyer will be able to do this for you. If you have no or little experience dealing with utility companies in Spain, we would firmly suggest you ask your lawyer to carry this out on your behalf to avoid any unwanted frustration and stress. Suffice to say, check your bank account to make sure the bills are being deducted and that you are receiving the bills for the relevant utilities. If not, ask your lawyer to call them and ensure that everything has been changed correctly. You won't be the first and you certainly won't be the last person where the job has not been carried out correctly by the utility companies, which are notorious for bad customer service.

Banks and Mortgages

Spain has an abundance of banks and those in areas with large populations of foreign residents will generally have English speaking staff.

There are also several English banks in the coastal resort areas, including the likes of Barclays, Halifax, and HSBC. All with English speaking staff.

Service tills are located at most banks, and when using a credit card will usually ask which language you would like to be shown. Be careful, though, because they do charge and this will vary from bank to bank, so it may be worth going into the bank to find out what charges will be incurred prior to making withdrawals.

Many Spanish banks now also offer internet banking in English which could save you a lot of headache and worry, as most of these sites will offer you transfer services online for such services as town hall payments, suma etc.

Raising finances for your purchase can be done in the U.K. or in Spain. It would make sense, however, to get your mortgage in Spain to avoid currency fluctuations. Euro interest rates are also generally lower than U.K. rates.

It used to be the case where you could only get a maximum of 80% loan to value in Spain but this is changing rapidly and you can now get 100% mortgages with some banks provided you have the financial backup elsewhere such as in your own property in the U.K.

The best advice is for you to meet with several banks and mortgage lenders to find the best deal possible. If you simply go for the first mortgage that comes along you could be paying a heavy price.

Exchanging money

Buying property abroad is often the realisation of a personal dream and probably represents one of the greatest expenses of your life.

As part of the purchase process, you will inevitably need to transfer a Sterling sum into Euros in order to pay for your property. This vital element of the purchase process – one that is often overlooked and one that can make a huge difference to the price, in Sterling, that you will have to pay for your dream home.

Exchange rates change constantly and 10% fluctuations in a relatively short space of time are not uncommon. This could effectively increase, by 10% or more, the Sterling amount that you will have to pay.

Not only could you save a large sum of money by using a commercial foreign exchange company when buying your property but, these companies can go even further.

You can even set up a regular payment plan if you are making regular currency transfers. Such payments might include overseas mortgage payments, pension payment transfers, or any other regular currency payments.

This removes the worry caused by exchange rate fluctuations when making currency payments over a period of time.

Hamiltons of London is pleased to announce that it recommends Moneycorp.

Moneycorp is a trading division of TTT Moneycorp Ltd, and is one of the UK's leading foreign exchange companies.

Moneycorp was incorporated in 1962 and has been dealing in foreign exchange since 1979. Trading over 5 billion pound in currencies annually it has over 400 dedicated employees and is certified to ISO 9000 standards.

It has excellent credit ratings from leading credit agencies and boasts a substantial client list including many blue-chip companies and organisations.

It isn't often that Hamiltons of London recommends a company but with Moneycorp we are happy that the service you will be given will be focused on you as an individual and know that you will receive great customer satisfaction and security.

For further details on Moneycorp please contact your local Hamiltons of London office.

Home Insurance

Once you have purchased your home you will need to insure both the buildings and contents. There are many Insurance companies in Spain that can offer you this service but for peace of mind we would suggest you contact a company that has English speaking staff with policies written in English so that you are certain what is and isn't covered on the policy. At least, that is, until you are able to understand the language a bit better.

Several companies have set up shop in Spain dealing mainly with the British ex-pat market so you can still shop around for a competitive quote.

There are only two companies that Hamiltons of London fully recommend; Moneycorp are one and for insurance we can fully recommend Ibex Insurance.

Ibex Insurance specialises in offering a portfolio of insurance policies to European Expatriates living or owning a second home in Spain.

They offer the security of policies underwritten by certain underwriters at Lloyds of London, the worlds leading insurance market, and all documentation is written in English.

They give a reliable, personal, face to face service through their multilingual Insurance Brokers and Intermediaries, a 24 hour emergency helpline for all policyholders, and with their English speaking support team based in Spain they can provide a fast, efficient service to all of their customers.

They not only offer home insurance but can also offer other insurance services to the ex-pat in Spain.

- Car
- Motorbike
- Pet
- Holiday apartment
- Marine
- Travel
- Medical

With all these services available to you in English, you can be assured that you are getting the right insurance.

If you would like a quote for any of the mentioned insurances, please fell free to ask at any Hamiltons of London office.

Inheritance tax

This subject is not particularly a pleasant one but we feel it is essential to inform you of the inheritance tax laws here in Spain and how to deal with them.

Firstly, the same old boring answer is - get a lawyer and draw up a will. This is a step that should be high on your agenda once you have purchased a property in Spain.

We will try to explain the basics of inheritance tax in this section but for full and accurate advice, please speak to your lawyer at the earliest opportunity.

Who pays:

If you are a resident in Spain and you are paying tax you will be liable to pay Spanish Inheritance tax regardless of which country the inheritance will be in. If you are a non-resident, you are only liable to pay inheritance tax on assets in Spain. Please remember that there is absolutely no exemption on inheritance tax in Spain.

There are four categories of inheritors. These vary on your relationship with the deceased and your age. The younger and closer you are to the deceased, the less you pay.

The amounts to pay will vary as and when the government of the day decides to decrease or increase them, so we won't add them here as they are likely to fluctuate, but your lawyer will be able to advise you on these matters.

There are also ways to avoid paying inheritance tax, and once again, a chat with your legal representative will help discover what you will need to do, if anything, to avoid your next of kin paying taxes.

We have only given you a brief and very rough guide on inheritance tax as it is a very complicated matter, but one that is a must for you to explore prior to purchasing a property in Spain. A good website to visit for a more in depth look at inheritance tax is [www](http://www.taxationweb.co.uk/taxlaw/article.php?id=18).

<http://www.taxationweb.co.uk/taxlaw/article.php?id=18>

Conclusion

We have attempted to give you as much advice and information as possible in this buyers guide, and all information was correct when going to print. However, as with anything, changes can come at any time so it is vitally important that you seek proper professional advice on any given matter, whether it be a legal consideration or one of accounting.

Hamiltons of London would like to know that your purchase was a seamless transaction and that it was as stress free as buying a property can be, and we wish you every success in your purchase, be it a holiday home or permanent residence.

If there is anything we can do or any advice we may be able to give, please feel free to contact our head office on 0034 96 648 0595 or email us at Sales@Hamiltonsoflondon.net Alternatively, you can visit our website www.Hamiltonsoflondon.net and press the 'contact us' button and someone will get back to you at the earliest opportunity.

We wish you all the best.

The Hamiltons Team

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