



Buying a Home in Spain

Contents

- 1. Introduction**
- 2. Considerations**
- 3. Important Advice**
- 4. The way prices are presented**
- 5. Lawyers**
- 6. Planning your trip**
- 7. What does the agent do after the sale?**
- 8. Buying in Rural Spain**
- 9. Capital Gains Tax considerations**
- 10. Trip Out - Final Planning Phase**
 - a. The Required Deposit and how to pay**
 - b. Local Bank**
 - c. Your UK Bank**
 - d. Forward buy currency to reduce the risk**
 - e. Phone**
 - f. Trip dates**
 - g. Accommodation**
 - h. Travel Insurance, Europe & the E111 form**
- 11. Summary**

1. Introduction

Spain is actually a huge country with many different regions and it is therefore no good making a statement that "we are moving to Spain" and then just coming here to ANY area. The whole process needs a lot of preliminary research if your move is to be a successful and ultimately a happy experience.

Also, by doing your own research you can avoid wasting huge amounts of your own and your agents' time. In previous years we used to show up to a dozen properties to people either not sure of the area or not having sold their home in the UK. This did neither party any good and so last year we changed this to a maximum of three properties. This gave the buyer plenty of feel for the area and what you can get for your money in any given area. They then come back again once their house is sold for a full itinerary!

So, please help your agents by giving some serious thoughts to the move beforehand. The following considerations should, we hope, help you.



2. Considerations

You may want to take various holidays or short breaks in the various areas, which will give an indication as to what to expect. There are different considerations, such as: -

- Do I want to be in real Spain amongst Spanish speaking people?
- Will I want to try and will I be able to learn the language?
- Do I want to be in a British ex-pat community?
- Do I want a hot dry climate with no greenery?
- Do I want a hot climate WITH greenery but with a bit more rain
- Do I want the coast? Or Inland? Or Mountains?
- Do I want a Spanish Island or the Mainland?
- How far from an Airport?
- Is it important to be able to obtain cheap flights?
- Should my airport have easy access to the UK and a particular airport in the UK
- Can I afford **to buy** in the traditionally popular, but now expensive coastal areas?
- Can I afford **to live** in the traditionally popular, but now expensive coastal areas?
- Am I prepared to adapt to the Spanish way of life – relaxed and easy going?
- Are you aware of the buying process in Spain being totally different to that in the UK?
- If you are coming to work then you will need to move into a large Ex-pat community or learn to speak Spanish, if living in traditional Spanish communities.
- Are you prepared to be separated from close relatives i.e. children and grand children, for most of the time

All the above are deciding factors in where you will end up. If you are coming to retire or work, then you need to be happy here! It IS a big wrench and a culture shock coming away from Britain and the usual British way of doing things.

Once you decide to move you will then want to pick out properties to view.

3. Important Advice

The process of relocating to another country is by no means easy, but “where there is a will there is a way” and we believe that if you have really made up your minds that this is where you want to take your lives, then you should ultimately succeed, providing that you are prepared to take on the various challenges involved and be prepared to be a little flexible about everything not always being “a bed of roses” and perhaps that some things may not meet your ideals by 100%. In our experience, those clients who aim for the “80-20” rule have always found something to suit them and then gone on to be very happy here.



Most people fail to realise that most agents are in a wide network and many have the same properties, yet they trawl round hundreds of internet sites ultimately forgetting which ones they have visited and which ones they asked questions of. This is really not very fair to you or to the various agents. In fact, it wastes everyone's valuable time and ends up getting you very confused and frustrated. This does not make for a rational purchase.

Please ***do*** recognise the hard work agents put in on your behalf and email them back or phone them back after they have gone to the trouble to find information out for you. After all, it's only a common courtesy you would expect yourself.

So, in our case, with well over 1,000 properties on our books, we could easily save you a lot of time and effort and be your "one stop shop", wherever you decide to buy in Spain.

We obviously help more than others in this area (Valencia) with our after purchase package of 100+ pages of essential information to help you get started in your new life here.

4. The way prices are presented

Fully Inclusive or Fully Exclusive? What do we mean?

Normally, prices in Spain are presented in all the window sheets and advertisements as so many Euros (or Pounds Sterling). But, the unwary buyer should know that this price is actually NOT FULLY inclusive. This price is only what the owner wants, plus the agents commission from the owner. Some agents here near Valencia are now quoting the owners price which does *not* include their own fees from the seller to make the property more interesting!

In the UK, you have to add "Stamp Duty", agent's fees, removal costs and solicitor's fees. Well, if you think about it, then it's exactly the same in Spain, but with different charges! And, as long as you have a good idea of what these different charges are then you have nothing to fear!

You will need to add 7% for the property tax (Some call it IVA, but it's actually like the UK Stamp Duty, but on everything!). The Property Tax is 7% on a new house and 7% transmission tax on a re-sale. If you buy a rural plot it can be 16%, but some plots are 7% if you buy an urban plot together with the house. People still moan on in the UK about the stamp duty above a certain amount, but this is 7% on everything declared at the notary! Then there are the agents' fees to the buyer plus 16% IVA, plus Notary Fees, plus Land Registry Fees and the Gastos. The Gastos is for the person who runs round with all the paperwork. The fees are approx 3 % for notary, lawyer, searches, the preparation of and the registration of the deeds in the new name. The lawyer would normally include transferring the services into the new owner's name, in the fees.



5. Lawyers

You have to decide whether you will require a lawyer or not. Most Spanish people and Banks do NOT use one. We used one ourselves and were ripped off.

The Notary is the only person in Spain who can "Complete" a sale. In the UK two solicitors can do this, but in Spain they can't!

However, recently we have come round to thinking that with some property purchases, they can really help. For a full report, please visit this link:

<http://www.peekprop.com/index.php?pag=countries&id=3&idm=35>

6. Planning your trip

Please give your agent plenty of notice, so they can prepare for a successful trip. We think that there is no substitute for actually coming over to see the properties, rather than rely on the details and photos either sent by email or on the website.

Appointments cannot be booked if there are no client contact details when in Spain.

Please don't come to Spain and then phone an agent from the Airport, as it makes things very difficult if they have already committed to appointments with other clients.

More importantly, the advanced notice also means that before your visit they can send some important information in plenty of time to help you prepare properly for your trip. This will help make it a successful one for you!

Finally, don't be annoyed if the agent substitutes some of your chosen properties with others. Properties are selling all the time, the same as in the UK. If you have given the agent a good idea of what you want, they can actually come up with some good last minute properties for you, so you do not waste your time. Very often these are better than those chosen from a photo. Remember, some photos do not do the property justice!

I must add that we have heard of agents showing properties far above the buyer's price range, just because they have nothing to show them in their chosen price range. This is a bad practice and if you find an agent is doing it to you then you should challenge them and if necessary walk away, before they waste any more of your time. We actually tell the client if we have nothing in their budget. Unfortunately, some people have watched a five year old TV programme and expect to come here and buy something for 60,000 €! Clients have to be put right on the current situation and I see that as a necessary part of our job.

On the other hand we know of many buyers that did not declare their true budget and became unhappy with the cheaper houses shown to them in their originally declared budget. They then ended up declaring their budget to be higher in the end, but having wasted a lot of unnecessary time.



Now, how better to have given a more flexible budget to start with? They could have then looked at a good small range of houses, decided on the right level of budget and then looked at more houses in that range. I tend to think that they would then end up with a house that they are actually happy with and also just as important, an agent that they are happy with!

7. What does the agent do after the sale?

This can be an important consideration for you if you have arrived here and don't know any Spanish and don't know any English people! Various areas of Spain are very exciting to live in, as they do not have a large ex-pat community. However, you need to be set off in the right direction.

For example, our main area is around Valencia City. Here we offer a 100+ page booklet containing all sorts of useful information about the area and where to get things and how to do things, for example, how to keep the pool clean. Part of this booklet is given to the client once they place a deposit on their chosen property. The reason being, that it has a lot of useful information about the Notary Meeting for reading before they leave the UK.

The rest, which is the biggest part, is given to the client at the Notary's Office on completion of the sale.

Once they have completed the purchase, we then take 2 or 3 hours to actually show the client round in our car or theirs and show them exactly how to get to important places mentioned in the booklet.

By doing this, the client has a great start here in Valencia. You need to ask what the agent you are using does for you. Many agents only speak Spanish, especially round Valencia and walk away after the Notary Meeting. You do really need a good start in your new home!

8. Buying in Rural Spain **(Written by Clients of Peek at Spain SL – Mike & Soo Stadius)**

When people decide to move to Spain, the things that they are wary of, are, amongst other things, being without the "comforts of home", i.e. mains electricity, water and drainage, and a telephone. If the estate agent broaches the subject of solar power and/or deposit, or tank, water, some people are disinclined to even consider the possibilities, as solar power is thought of as "something new" and therefore to be avoided. Deposit water supply is seen as returning to something akin to the Middle Ages.

When we started looking for property in Spain, we contacted Peek at Spain who, after showing us numerous properties within our original criteria, showed us the perfect house. Our priorities when searching had been the usual, mains electricity, mains water/drainage and telephone.



Our property came with none of the above, but the situation and style more than made up for this. We were told that solar power was easily obtained, and although enquiries were made, by Peek at Spain SL, on our behalf, to see if mains water could be added, this proved not to be practicable, at least in the immediate future. With their help, we contacted both a solar system installer, and the man who would be our water supplier, who both proved to be extremely helpful.

The full article can be seen on this link:

<http://www.peekprop.com/index.php?pag=countries&id=3&idm=34>

We also introduced them to the Vodafone shop near here and got them a fast and cheap connection for their PC using Vodafone.

So, it can therefore be seen, that a great purchase can be made without what are seen as the normal creature comforts and a great deal of money can be saved. Well worth consideration I think if you are on a tight budget!

9. Capital Gains Tax considerations

Just as you are unable to escape Capital gains Tax in the UK, you should realise that you are unable to escape it here. In fact if you want to move back to the UK it can be quite surprising. I am not sure why the EU allows Spain to do this, but Spain seems to be able to distinguish between "Residents" and "Non-residents", as shown below: -

a) Residents

This applies to all who have obtained their Spanish Residencia. In order not to pay as much capital gains tax, the following conditions must be met:

- You need to be a Spanish resident
- You have to have lived at that house for a minimum 3 years
- The house being sold is your main property (not a second home)

If the new house you will buy in Spain is also going to be your main residence you will only pay an 18% capital gains tax on the difference. I.e. on the amount you are not going to reinvest.

If you are moving back to the UK and the new house you will buy in the UK is also going to be your main residence, then in that case you will pay 18% capital gains tax. The Capital gain being the difference between purchase price and sale price, according to the title deeds. (Escritura). So, if you are Spanish residents, the capital gains tax is 18% on the profit made.



It is important that you must have lived during 3 years in your main residence as a Spanish Resident i.e. having been in possession of the Residencia card or having filled in tax returns during 3 years. It is 3 years after obtaining the Spanish Residencia card!

b) Non-residents

Being non-resident everything changes completely. The reinvestment is only granted to Spanish Residents. A non-resident would be someone who has purchased for a holiday home, or a main home but who never obtained Residencia.

As a non-resident, you will have to pay the 18% capital gains tax and retention of 3% of the actual sales price is retained at the notary as payment in advance.

c) Note

The government announced this change for capital gains tax for 2007. They changed it to 18% for Residents as well as Non-Residents. This involved an increase of 3%.from 15% to 18% if you are a Spanish Resident. Non-residents went down from 38% to 18%!

We do not know, but we suppose that they have not change the 3 year rule for Spanish Residency, as mentioned above.

However, there is an added complication since there is talk of the authorities withdrawing the plastic Residencia Cards. This will mean that they will then have to take the NIE certificate, which was issued *before* the house was purchased. In this case this will always be older than the Plastic Residencia card! This would therefore be an advantage to the seller!

10. Trip Out - Final Planning Phase

a) The Required Deposit and how to pay

For paying the initial €3,000 (or sometimes 5,000 € deposit) and the balance of the 10% deposit within a couple of weeks, do *not* bring cheques of any kind, including traveller's cheques and do not rely on your credit cards. The reasons being: -

I don't know about the rest of Spain, but there are only two places in Valencia to cash Travellers Cheques! And here in this part of Spain, even American Express will NOT "do nicely"!

With credit cards it doesn't matter how much credit you have in the UK, you will NOT be able to walk in to any bank here and draw cash! They will point you to the machine outside and you can only draw €300 at a time! That would mean finding 10 machines to get the minimum €3,000 deposit.



Some new build sales outlets actually take credit cards themselves, but not many do this, so much better to make advance preparations as follows.

b) Local Bank

You should open an account in advance with a local bank so you can transfer money to them in Euros. This means you have easy access to €3,000 or the whole 10% deposit.

As an agent of Banco Popular, we open accounts in advance for clients. See what your local agent can do to help you.

We have had clients who open up accounts with British Banks with offices out here, but we have to say that our clients have not had as good as service as through our Spanish Bank.

c) Your UK Bank

May I also suggest that you speak to your own bank about the ability to FAX instruction to them whilst you are in Spain - you need to organise it ***before*** you come to visit us.

Failure to do this will mean you are unable to give them instructions other than by flying home or using DHL to courier your instruction over to your bank overnight.

You should have permission to transfer cash to an FX dealer or direct to your new bank by FAX. They will ask you to sign an authority to cover them. This **MUST** be signed before you leave the UK.

d) Forward buy currency to reduce the risk

We advise our clients to have this in place before they leave the UK – Arrange an account whilst still in the UK, as it is much easier to do from the UK with you and the dealer in the UK.

The purpose of using a Currency Dealer is to get Business Rates agreed in advance of a currency "Trade" – this can save you a lot of money!

To find out more, follow this link:

<http://www.currencysolutions.co.uk/enquiry/peek-at-spain.htm>

You can find out information here or you can also talk directly to them so you have the system explained fully.



e) Phone

We need the ability to contact the agents that you are dealing with during your trip.

Inability to talk easily to each other makes for a very frustrating visit for both parties! In some cases it can prove a complete disaster. So, you need to call your mobile phone company for the following: -

1. International Roaming – calls **to** your mobile from a Spanish phone.
2. International Roaming calls **from** your mobile to a Spanish phone.
3. International message service operation – clarify the procedure and the number you dial here to obtain any messages we may leave you – It may be the same, but it may not. If you have no message service you may want to consider getting one as it's essential when travelling abroad.

f) Trip dates

Please give agents plenty of notice as they need to plan ahead. It takes a lot of effort to organise property viewings, so it's no good calling an agent from the airport to say you have just arrived and you need accommodation and want to see houses straight away.

Please remember, many agents offer a one on one service, so will more than likely be tied up with other clients who went to the trouble of booking up in advance and you will be disappointed as they may be unable to help you.

The advantages of booking well in advance are that airfares will be much cheaper and the agent(s) will be much better organised to make the best use of your limited time here with them.

Also, do not cancel or change arrangements, as it is very difficult to change viewing arrangements at short notice and a lot of effort will have been wasted.

Behind the scenes there is quite a lot of work goes into organising property viewings, so please respect your agent for the work he does for you on this important part of their job.



g) Accommodation

Many agents have a range of Bed & Breakfast or Self Catering accommodation available, but most require plenty of notice. They should be able to send details on request, including the prices.

For hiring villas and flats for your visit, try these sites: -

- Euro Relais <http://www.eurorelais.com/website/er/e/default.php>
 - Sunseekers.com <http://www.sunseekers.com/>
 - Holiday Rentals <http://www.holiday-rentals.com/>
 - Self contained B & B <http://www.peek-at-spain.com/B&B.pdf>
-

h) Travel Insurance, Europe & the E111 form

According to Foreign & Commonwealth Office, don't forget to take your E111 form with you and do take a look at the changes in the rules.

Even if you are just travelling to Europe you must take out travel insurance.

Some tips: -

- Make sure you are fully covered, even for short breaks to Europe. Few EU countries pay the full cost of medical treatment even under reciprocal health service arrangements.
- Fill in an E111 before you leave.
- Take your E111 and a photocopy of it with you.
- If you are driving, your car insurance will provide the minimum cover for EU countries, which is liability to third parties. Most people will want to have the same cover as they enjoy in the UK, so ask your insurer to extend your cover. You are unlikely to be covered for breakdown, so ask about this too.
- If you are taking your pet, you may need to make sure it is insured.
- Make sure you fill in your E111 before travelling in Europe.
- More travel advice can be obtained from the Foreign & Commonwealth office's web site at: www.fco.gov.uk



11. Summary

So, in summary, **you do need all of these things above** to move money around more cheaply and buy with no hassle when you spot your dream house in Spain. Again, these are: -

1. Do your homework about the different areas of this huge country
2. Be honest about your budget to your chosen agent/s
3. Don't confuse yourself trying to deal with too many agents
4. Be fair to your hard working agents and reply to their emails and phone calls
5. Obtain a local Spanish Bank Account here in Spain
6. See your Bank – arrange their ability to take FAXED instructions to transfer money either direct to your new bank here or via the Currency Dealer
7. Talk to a Currency Dealer to forward buy Euros at Business Rates (Your Bank will usually operate on Tourists Rates!) Do this before you leave home
8. Obtain the International service for your mobile phone a few days before you leave the UK – Have enough money in the phone if it's pay as you go
9. Make sure that your phone is switched on most of the time – Agents can't help clients whose phones are switched off
10. Make sure that your phone has a message service
11. Book the trip well in advance
12. Book your accommodation well in advance
13. Appointments cannot be booked if there are no client contact details when in Spain
14. Treat your agent with respect – in most cases they are doing their best to help you, so don't change arrangements at the last minute and keep to appointments made
15. Accept alternative houses to view from those that you chose before your visit
16. Obtain Travel Insurance – Yearly is normally much better value
17. Obtain your E111 form and have it with you
18. Beware of the Capital Gains Tax implications should you have to move on or go back to the UK

Produced by Peek at Spain SL

(SL is a Spanish Limited Company – A fully legal Company in Spain)



We hope this guide has been really useful and if you want any help just send me (John Knight) an email via this contact link: -

<http://www.peekprop.com/index.php?pag=contact>

(Not giving my direct email address out reduces Spam considerably!)

UK Telephone Numbers: 0844-837-8945 & 0871-990-3-550

Office (+34-96-299-8133)

Fax (+34-96-299-9076)

Website: www.peekprop.com