

BUYING PROPERTY IN SPAIN – A BRIEF GUIDE

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Property prices had been declining due to the current economic crisis in Spain (though according to data from the Housing Price Index published by the Spanish National Statistics Institute on 9 March 2015, housing prices in Spain rose by an average of 0.3% in 2014, compared to the previous year, registering their first increase after six consecutive years of annual declines). But even with this recent increase in the average property price, prices still remain very attractive compared to other cities and countries.

There has been a recent surge in property transactions in Spain. Home sales in Spain increased by 13.5% in the third quarter of 2014, compared with the same period in 2013, accumulating a third consecutive quarter of positive results, according to the Spanish Ministry of Development's statistical data.

And recent additional factors like the drop of the value of the Euro continue to make the Spanish property market a very attractive option. A weak Euro means that currencies such as the Singapore dollar are particularly strong and you get more for your money.

Tourist numbers have been up recently. Low fuel prices mean that the cost of package holidays and air fares have been reduced, so, if you are thinking of renting out your property then it is a good time to do so. Spain remains an attractive tourist destination that's close for many Europeans, has fabulous weather and all the amenities that are needed.

Like in Singapore, it is always important to engage a solicitor with a good reputation before you enter into any sale and purchase transaction. Colin Ng and Partners LLP are in contact with several reputable law firms in Spain who can assist you with your property purchase.

How much do you have to pay for your property? In addition to the actual cost of the property there will be a number of additional costs that you must take into account when planning your house-buying budget. You should allow an additional 13-15% of the total property price for additional administrative costs and taxes. The additional costs include the following:

1. Notarial costs
2. Land Registry costs
3. Taxes

- New property - IVA (VAT) 10%, Stamp duty (AJD) 1.5%
- Resale property - ITP (transfer tax) 10% - depending on where your property is located

1. Legal fees. Your solicitor should provide you with a personalised quote and at the end of the process you should receive an itemised list of exactly how much these additional expenses would have cost you.

But do take note that you also need to consider the cost of transferring money to Spain. In addition to the

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banks, also check out the companies who deal specifically in transferring money between countries. They may be significantly cheaper than exchanging just through the banks.

Remember as well, when you are doing your calculations to allow in your budget for the continuing costs of maintaining your property. There will be taxes to pay and utility bills to take account of. It is important to always ensure that you have sufficient funds in your bank account.

The duration of the property transaction will depend upon whether you have property to sell and whether you are paying in cash or are applying for a mortgage in Spain.

It will also depend on whether you are abroad during the purchase process and need to have a power of attorney. The power of attorney enables the legal process to continue without you being in Spain in person. It can be obtained in your home country and will be validated with a seal known as the Apostille of the Hague.

If all goes smoothly, then a property sale in Spain can go through in a couple of months. However, don't sacrifice safety for speed and make sure that you have the necessary checks made on your property by a qualified solicitor.

There is a tax which has been imposed by the Spanish Authorities called the Complementary Tax. This tax is sometimes levied after a purchase where the stated purchase price is less than that of the Spanish Tax Authority's calculation. It is not a new tax and you should be informed that it is a possibility by your solicitor.

If you do buy a bargain property in Spain, you need to be sure what the tax might be if you are charged it at a later date. You can appeal in a specified window and the majority of appeals have been successful.

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