

# Property Taxes in Spain

Read on for areas in which Charles Hamer can assist in guiding you through the Spanish mortgage process; find the mortgage scheme most appropriate to your requirements and at the same time bring about savings\*

When buying a house in Spain it is important to estimate the taxes you will have to pay, not only when you actually purchase your Spanish property, but also local taxes and housing rates which are paid on a yearly basis by all home owners in Spain. Spanish housing yearly rates depend on the value of the house and the area it is in, however the summary below is a rough guide to the tax expenses you will need to take into account when purchasing a Spanish property.

- **TAXES PAYABLE AT THE TIME OF A SPANISH PROPERTY PURCHASE**

### **Re-sale purchase tax**

House buyers of a re-sale property (ie an existing Spanish property as opposed to a brand new property) are required to pay the conveyance or transfer tax *Impuesto de Transmisiones Patrimoniales* - which varies according to region , for eg. it is estimated at 7-8% for purchases in the Canaries and 10% for purchases in the Galicia region. For estimated conveyance costs in other regions of Spain, please use this link and type in the region in which you are interested in purchasing :-

<https://www.charleshamer.co.uk/spanishcalculator.aspx>

- **New Properties purchase tax**

Buyers of brand new houses in Spain are liable to paying 10% *IVA* (VAT) if the house is finished or is being built at the time of the purchase, plus an extra 1.5% stamp duty tax in Valencia or 2% in the Region of Murcia.

For the purchase of land , commercial premises or parking spaces including garages, in Spain then the VAT payable does rise to 21%.

- **Mortgage Stamp Duty\***

This is calculated as a percentage of the mortgage amount. It is payable to the Government. The amount can vary dependent on the region in which you purchase. As a rough guide please budget at around 1.8% of the mortgage amount that you are applying for. Please note that this is not the same tax as the stamp duty that you pay on the property purchase. However, some Spanish banks now cover this cost resulting in savings connected with a Spanish Mortgage. For example a property situated in the Canaries , if purchased with a mortgage of 150 000 E , the mortgage stamp duty is estimated at around 2 700 E , **this cost is no longer passed onto the borrower by some of our Spanish lenders please contact us to see if your mortgage qualifies for this saving.**

- **Who Manages the Mortgage Registration Process**

The Bank lending the money will either manage the registration process, or appoint a third party to do so on the bank's behalf. The requirement for the bank to manage the process is because the bank must ensure that both the property purchase and the loan are correctly registered, this is in order to be certain that the security being used as collateral for the funding and the loan itself are correctly recorded.

Notary and land registry fees for the purchase deed are based on a national scale within purchase and loan amount bands. There will be a small but not vast differences between Notary offices, total land registry costs and Banks depending on the complexity of registration and the cost of any third party involved.

- **Spanish Bank Arrangement Fees\***

All Banks in Spain charge a one-off bank arrangement fee in relation to the mortgage. This fee is not a commitment fee but becomes payable once the mortgage offer has been signed and accepted and returned to the bank, ready for the release of mortgage funds to the notary. Payment is subject to the funds being released.

Bank fees generally range from 1% to 2% of the Spanish mortgage amount and can sometimes be taken from the gross loan amount at completion. The bank fee cannot be added to the loan amount if maximum loan to value has already been reached. The maximum loan to value for non- residents is usually capped at 70% of the purchase price.

All bank arrangement fees must be included in any mortgage illustration that is provided so that it is part of the overall cost of borrowing in order to demonstrate to the borrower the APRC to allow the borrower to make an accurate comparison with other mortgage schemes that may be available.

**Please contact us for a comparison of bank fees charged by Spanish lenders and to see whether we can obtain a concession your behalf.**

- **Spanish Property Valuation fees \***

Valuation fees for the purchase of a property is passed from the Spanish lending bank to the borrower. It will vary slightly depending, on how much of the valuation fee the bank subsidizes and if the bank is in fact looking to make a small profit out of each valuation transaction. Generally a valuation for a property in Spain instructed via a bank will be cheaper than if a valuation company is appointed privately. **Please contact us for details of the approx. valuation fees that our Spanish banks charge in advance of proceeding with a mortgage application.**

**Who instructs the valuation** - it is now a requirement of Law that [Banks in Spain](#) must accept any valuation, however instructed, as long as the valuation company is registered with the Bank of Spain. It is unlikely that there will be any savings benefit from the borrower instructing their own valuation / survey of the property.

- **Buildings Insurance**

It is compulsory to take out a buildings insurance policy and most Spanish banks will make it a condition to take out a building insurance policy arranged via the bank. Please contact us for an estimate of the annual premium which will be obtained from our lenders in advance of a mortgage application being submitted.

- **Associated Spanish life Assurance policies\***

Where a bank requires life assurance it will be with a Spanish life assurance company which can be expensive.

**We do have Spanish lenders who do not require the borrower to take out a life assurance policy, which results in savings to our clients. Please contact us for further details to see if you qualify for these mortgage schemes.**

- **Additional Costs associated with a Spanish mortgage \***

Some head-line rates offered by Spanish banks are based on the borrower taking out not only Spanish life assurance for the lifetime of the mortgage but other products such as Security systems and Spanish Visa cards.

This can increase the cost of borrowing quite considerably. Please contact our office for details of how these affect the cost of the mortgage and the alternative schemes that are available with Spanish banks that do not make any of these additional products compulsory