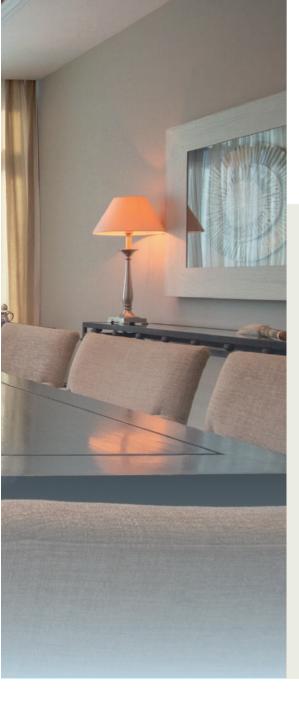


MARBELLA - FUENGIROLA - ESTEPONA - ELVIRIA - BENALMADENA - MANILVA - SOTOGRANDE

MARTÍNEZ-ECHEVARRÍA

www.martinezechevarria.com





About us

Martínez-Echevarría is an international law firm that provides a host of first class legal services. Established in 1983 on the Costa del Sol, the firm has become a reference point in the local legal community in our areas of operation as per its specialization in multidisciplinary legal advice to both companies and private individuals.

We know the area, and we know that a first class service means not only giving expert advice and assistance but also ensuring that our clients have continual access to up to date information on issues that may affect them and/or their business.

Martínez-Echevarría counts on a team of 150 legal professionals working in 20 offices located in 3 countries. We pride ourselves in being a firm of international lawyers specialized in providing bespoke legal services to a discerning international clientele.

Acquiring a property in the Costa del Sol

As specialists in the real estate field, the highly renowned law firm **Martínez-Echevarría**, acts as an independent legal advisor to buyers immersed in the process of purchasing a property in Spain.

Be aware that when deciding to purchase a property in Spain, the logical first step is to choose a reliable real estate agency that can help you to find a property which best suits your needs. Herewith there is a basic guideline to the steps involved when purchasing a property in Spain.





The reservation deposit

In order for a property to be removed from the market, it is customary for the potential buyer to place a deposit of between 6,000 - 10,000 Euros (this amount varies depending on the property purchase price). This deposit can be paid to the Real Estate agency or to our clients account, as the buyer's legal representative.

Due Diligence / Searches

Once the deposit has been paid, we will request the real estate agency to provide us with the contact details of the vendors lawyer to notify them our representation and to request from them the necessary documentation in order to carry out the appropriate due diligence in which we will verify all relevant aspects related to the property, such as:

Purchase from a developper (Off plan or new properties)

- 1. The legal identity of the owner/the seller of the immovable property you intend to buy;
- That the property under construction is legally registered in the corresponding Land Registry;
- 3. That the property is free from charges (mortgages, liens, encumbrances, etc.) It is customary for the developer to have finance to build which may take the shape of a mortgage. Should the buyer not be interested in taking over the proportional part of said finance in the way of a mortgage on the property, then it will need to be cancelled prior to completion, with all the cancellation costs paid by the developer.
- That the property has been granted the corresponding municipal building permit and habitation licence (where applicable) by the Town Hall in question, and respects local urban planning rules.

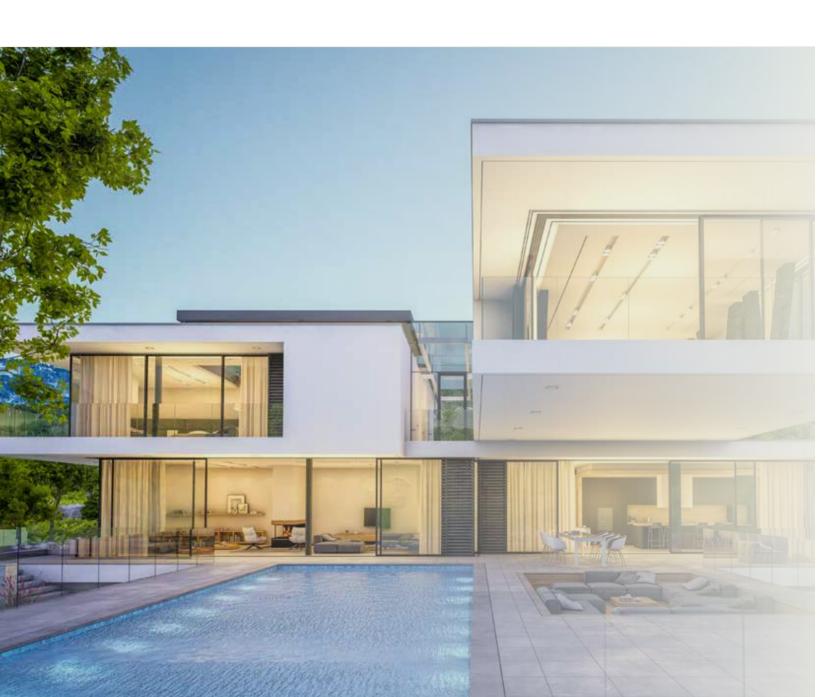
- 5. That the construction specification or quality specifications are made available to the buyer and included in annex to the purchase agreement.
- That there is a Bank Guarantee or Insurance Policy in place in order to provide guarantee for all monies paid to the developer during the construction process.
- 7. Confirm and check the content of the mandatory 10 year insurance guarantee (Seguro Decenal) that will provide coverage for any structural defects on the property.
- 8. Revision of the purchase contract drafted by the developer in order to assure that its content respects the buyers rights and that it is fully understood by the buyer and to ensure that this document respects the buyers rights.

Purchase from an individual (Resale or second transfer)

- 1. The legal identity of the owner/the seller of the immovable property you intend to buy;
- 2. That the property is legally registered in the corresponding Land Registry;
- 3. That the property is free from charges (mortgages, liens and encumbrances, etc.)
- That the property has been granted the corresponding municipal building permit and habitation licence by the Town Hall in question, and respects local urban planning rules.
- 5. The study, preparation and signing of whatever private contracts (reservation agreement, option contract, sale contract) or public, notarial, documents (purchase/sale deed) which are deemed necessary to execute the purchase operation. The standard procedure is to first sign a private contract normally with the payment of 10% of the purchase price, and after a reasonable lapse of time, to sign the public deed of sale/purchase.

Our services will also cover the following important aspects:

- Obtaining your NIE number. The NIE number is a tax number in Spain for foreugners. You need this number in order to be able to register your purchase in the land registry office and pay your taxes. This number is also needed to arrange your contract with service suppliers such as water, electricity, telephone, and other services.
- Verification of existing debts on the property, such as Council Tax Rates (IBI), horizontal property (community) charges, outstanding utility bills, and calculation of the Plusvalia Tax that is applicable in cases where the vendor is non-resident and in accordance to Spanish law must be retained from the purchase price.
- Payment of the corresponding expenses and taxes arising from the public deed of sale/purchase and the registration thereof in the corresponding Land Registry.



Taxes and expenses

The expenses and taxes arising from the execution before a Notary Public of the corresponding deed of purchase are as following:

In the case of first transmission:

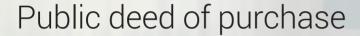
- VAT 10% for residential properties. VAT 21% on plots, garages and storage rooms.
- Stamp Duty (for Andalucia) 1,2%.
- Notary fee: notary fees are calculated according to a scale agreed by the authorities and is dependent on the nature of the purchase and the number of sheets contained in the deed of sale/purchase. Therefore all notaries charge the same fee for the same concept. The notary fee for the purchase of a typical residential property would vary between 500-1,800 Euros.
- Land Registry fee: land registry fee are calculated according to a scale agreed by the authorities. Normally, the land registry fee amounts to 50-70% of the notary fee.
- Legal fees 1% of the property purchase price plus 21% VAT.

In the case of a second transmission / resale:

- Transfer tax: 7%.
- Notary fee: notary fees are calculated according to a scale agreed by the authorities. Therefore all notaries charge the same fee for the same concept. The notary fee for the purchase of a typical residential property would vary between 600-2,800 Euros.
- Land Registry fee: land registry fees are calculated according to a scale agreed by the authorities. Normally, the land registry fee amounts to 50-70% of the notary fee.
- Legal fees 1% of the property purchase price plus 21% VAT.

^{*} In the case of purchasing a property and constituting a new mortgage both notary fees and registry fees will be applicable as the mortgage's own public title deed which will then need to be registered, Stamp Duty is also applicable at 1.5% of the mortgage responsibility amount.





After the signing of the private contract, in a period of 4-6 weeks, depending on the conditions agreed with the vendors, the public deed of purchase will be signed by the client with our assistance or by us with the aforementioned power of attorney. At this moment the balance of the purchase price must be paid to the seller, with the buyer taking physical possession of the property.

Utilities, rates, garbage collection, community fees and taxes

Our office will take care of contracting and/or changing the title of all contracts with supply companies as well as the relevant taxes concerning the property, and if you so wish we can arrange the direct debiting of those bills (direct payment made by your own bank in Spain).

A bank account in Spain will be needed in order to set up the direct debit for the utilities, rates, household waste collection and community fees. We can also assist you in the opening the Spanish bank account.

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Other cost you should bear in mind

The non-resident income tax

Law 38/2022, from the 27th December creates the Temporary Solidarity Tax on Large Fortunes, payable on assets from the tax year 2022. It is set as a complementary tax of the wealth Tax, currently bonifled by Andalucia, it's a State Tax, and is not subjected to transfer to the Autonomous Communities, and will be levied with an additional quota on the assets on the private individuals on amounts superior to 3.000.000 Euros.

In case of residents there is a minium exempt for taxation of 700.000 euros, and to this amount we should add 300.000 euros for main residential property. For this reason, the tax will be required on superior assets between 3.700.000 Euros to 4.000.000 Euros.

Types of tax levied:

- From 3.000.000 to 5.347.998,02 the 1,7 per cent.
- From 5.347.998,03 to 10.695.996,06 the 2,1 per cent.
- From 10.695.996,06 onwards 3 per cent.

Regardless of whether your property is rented or not, you will always have to pay income tax as per the following rules:

If you do not rent out your property, the Spanish authorities will assume that you have what is called "Deemed Rental Income" which is subject to Non-resident Income Tax. This legal rent is obtained by applying the percentage of 1.1 on the cadastral value (rateable value) of the property, on this base amount the rate of 19 % is applied for European Union Citizens and a 24% for the non-European Union Citizens. This cadastral value is listed on the IBI (tax council rates) invoice and is usually lower than the purchase price reflected on your title deed.

If the property is rented out, the rate applicable is based on the net rent obtained by the landlord of the property and is 19% for European Union Citizens and 24% for the non-European Union Citizens. According to the new Law, citizens from the EU are allowed to deduct the expenses incurred during the period the property was rented out: electricity; water; community fees; home insurance; interests on mortgage; Council Tax Rates (IBI) & waste collection; maintenance; cleaning services; legal fees for dealing with the income tax returns as well as a 3% annual building depreciation.

In this case, a Tax Residence Certificate, issued by the tax authority of the country where you reside, must be submitted together with the tax forms (one for each tax payer).

The wealth tax

Wealth tax at present is abolished...

Community fee

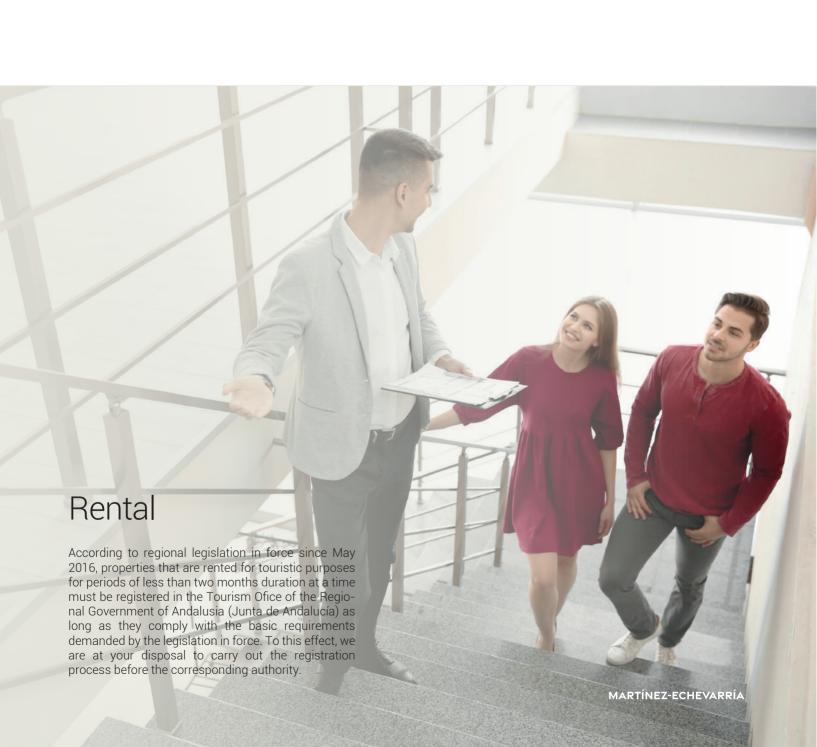
Council Tax Rates (IBI) and household waste collection

Electricity, water, gas, telephone...

Home insurance.

The community will have its own insurance for the common elements, but we suggest you to have your own home insurance for building and content.

^{*} Our office has at your disposal the relevant qualified staff in order to take care of the calculation and payment of your yearly Non-Resident Income Tax.



Granting a will in Spain

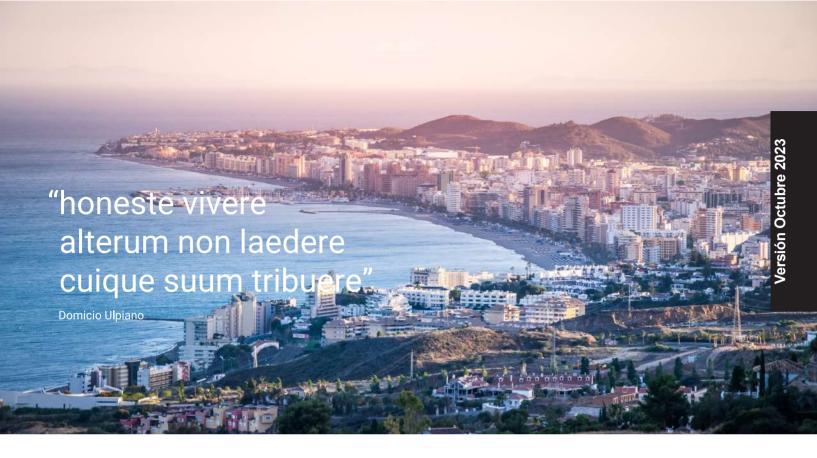
When you have purchased a property in Spain, or you are the holder of any other assets in Spain, such as bank accounts, life insurance policies, shares or any other type of financial products, granting a last will and testament in Spain over your Spanish assets is highly recommended. A Spanish will ensures a smooth distribution of your assets in Spain and that you avoid future formalities, complications, delays, and additional costs derived from the process of succession and inheritance over those properties or assets located in Spain, as otherwise the assets will not be transferred easily to your wife/husband or relatives.

In the last will and testament the testator may choose the law of his/her nationality as the law that governs his/her succession. This choice of the applicable law allows the testator to freely dispose of his properties and assets in Spain always according to the limitations established by the legislation of his country of nationality, but in any case avoiding forced inheritance rules applicable under Spanish law. In that regard, the testator shall appoint his inheritors

and legatees and will determine the percentages allocated to each of the heirs and the specific assets to be transferred to the legatees.

Otherwise, i.e., not having a Spanish will means expending time and incurring costs associated with the process of giving validity in Spain to a foreign last will and testament. Not having any will and testament at all means that for the distribution of the Spanish assets, it will be necessary to strictly follow what it is stated in the intestacy laws of the country of the last habitual residence of the deceased.





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