



Buying Made Easy...

Unique Mallorca's Guide to Buying

Once you have found your perfect property you will want to proceed to the next stage. Here you will find a step by step guide to the buying process in Mallorca. Please feel free to ask one of our experienced agents if you have any further queries about this guide.

1) Select a legal advisor

At Unique Mallorca we always recommend the assistance of a lawyer who is fully qualified & experienced in Spanish Property Law. You can choose your own independent legal representative or ask for a referral from local sources. Once appointed, your lawyer will be able to ensure that things move more quickly as they have the knowledge & ability to handle everything on your behalf and ensure that you are correctly advised from the beginning.

We have several excellent lawyers that we can recommend – each is from the most reputable legal firms in Mallorca. We can offer you a legal team that are fluent in your native language & each will

ensure that things go as smoothly as possible, that you are kept informed, up-to-date and clear on all the important steps along the way.

2) Prepare to reserve the property.

Upon confirmation of an agreed sales price your lawyer will carry out searches in the Land Register and complete other essential background checks on the property. They will need to ensure that the property you are purchasing is free of charges, debts or legal complications that may present problems for you at a later date. They will then confirm the terms of the purchase in writing, so that both you and the vendor have a clear understanding of your position.

3) Exchange of private contracts – the “Option Contract”

Once everything is agreed and understood, your lawyer will prepare an Option Contract. For straight forward contracts this can happen relatively quickly – within 10 days, but it can also take a lot longer. If the sale has many terms and conditions, then this contract will certainly take more time to complete. This “Option Contract” will detail all the pre-agreed terms of your offer and sale conditions and should also include the date (mutually agreed by you and the vendor) for final completion at Notary.

In Spain, upon the exchange and signing of the option contract, it is standard practice for the purchaser (you) to pay 10% of the purchase price. This is a non-refundable deposit and you will not receive this money back - should you choose to not complete on the sale. This “deposit” money is usually held by a lawyer. If the vendor does not complete or fulfil their part of the option contract then they are required to return the 10% deposit back to you, the purchaser, **and** to pay you a further 10% for damages.

Here are some important factors that your lawyer should check before they allow you to sign an option contract :-

- The original or full copy of the Land Registry Document confirming that the title is clear.
- Receipts for payment of (IBI) land tax & Rates for. Your lawyer should request the last 5 years worth of receipts in order to ensure that they are also paid up to date.
- If you are buying a Property located in a community, your lawyer will investigate the owners' association. They will ensure that the community fees are paid in full and that the association themselves have a clean history.
- The vendors service charges & utilities (electricity, gas etc.) Your lawyer should confirm that they are paid up to date.
- If you are buying the property with any contents then it is standard practice to include an Inventory – this can be carried out using a traditional written inventory – or more commonly

today - a photo inventory – detailing all the items (furniture & fittings) that are to be included in the sale.

A completion date is also agreed and entered into the contract. This will state a certain date allowing both parties to be on the island at the same time for the signing of the deeds. To grant “power of attorney” to your Lawyer can be really worthwhile, as it allows him or her to sign the deeds on your behalf and avoid any unforeseen situation at time of completion or simply allow you to remain in your home country or elsewhere at the time of signing.

The Final completion (signing of the Deeds- *Escritura*) is signed before a Public Notary. Your lawyer on the day of the signing will provide you with another “up-to-date” copy of the Land Registry Document to confirm clear title etc, together with copies of the vendor’s service charges (*rates, electricity, gas bills etc.*) stating that they have been paid up to date. The Title Deeds will be translated into English by your lawyer and checked by the Notary before the final signing.

4) Final completion at the Notary

In Spain, a sale is only “officially” completed when the public deeds are signed in front of a Notary. In order for this to be done, the final payment must also be made, and full property possession is handed over to you (the buyer). This "Escritura" (title deeds) always details the property owners name and a full written description of the property and its situation.

Under Spanish law it is essential for this document to be signed in front of a Spanish Public Notary. A Notary is a public official who officiates the sale on the public record and confirms that the process and contract has been understood by all parties concerned.

If you are unable to attend the signing of the deed personally then it is possible for you to grant a Power of Attorney to a representative to attend on your behalf (normally your lawyer).

The balance of the purchase money is paid upon completion (*Euros / Sterling*). The final payment is usually done in one of two ways:

A) If it is a Sterling or Other Currency transaction, your bank must transfer the required amount before completion to the bank stated in the contract

B) If it is a Euro transaction, you must arrange with your bank to transfer the required amount before completion to your Spanish bank

It is advisable that you transfer all money 7 days prior to the date of completion to ensure it is in the right place at the required time. Due to legislation lately applied, the payment or transfer receipts or documents that prove the payments must be attached to the documents even if it is done in a foreign country or in between foreign banks.

If you intend to sign the deeds and attend the notary appointment in person then it is advisable to be on the Island at least 48 hours before completion as it will be necessary for you to do the following:

- Make a final inspection of the property
- Meet with your lawyer to go through the method of purchase, sign direct debit forms for all your service charges and obtain your NIE number.
- Meet with your bank to collect cheque book, credit card, etc.

Completion is usually set for the following day. At a “Public Notaries Office” in the area. Your lawyer, agent and the vendor will all be present. If you are taking a mortgage then the banks will also be present. After this, you will receive your keys & a photocopy of the deeds in your hand.

Note: At all the above meetings you should be accompanied by your estate agent.

5) Registry

Once signed, the Notary will send a note of the deed to the Land Register.

Your Lawyer will arrange:

- Transfer of accounts & direct debits with any utility supply companies.
- Official Registration of your title deeds . This can sometimes take up to 4 months.
- Payment of any taxes

6) Other considerations

NIE number: This is a unique number assigned to you as an individual and is an essential part of property purchase process. You can sign an option contract and pay a deposit to reserve a property but will be unable to “complete” the sale without having this number. It can take anywhere from 1 – 2

months to process and obtain this through normal channels, but do not worry if you cannot wait this long, a good lawyer can “fast track” the process if necessary.

Bank account: Another essential part of the process is the opening of a Spanish bank account. It is required to have one of these in place to house all your direct debits & utility bills. If you are applying for a mortgage then you will probably already have a bank account opened – associated with your mortgage payments, but if this is not the case then one of our agents will be able to advise you on a reputable local bank to use.

7) Purchase Costs

As a general guide – we recommend allowing 10% on top of the asking price of the property for your purchase costs. These can be as much as 11% or 12% if you are obtaining a mortgage on the property (due to bank charges)

Here is a breakdown of these costs:-

Taxes

1. **(IVA):** (Spanish VAT). This figure currently stands at a rate of 8% on new constructed properties , construction of a property. On a re-sale property you pay a transfer tax instead of the IVA – this is currently set at 7%.
2. **Stamp Duty:** You will also be required to pay up to 1% of the purchase price.

Other Charges

1. **Notary :** These vary from Notary to Notary & also depending upon the value of the property.
2. **Land Registry:** These are mostly charges for administration and normally amount to a very small portion of the overall cost.

3. **Lawyers Charges:** Your lawyer's fees should also be covered within this 10%. Most lawyers charge up to 1% for handling your purchase but this can be more if the deal is very complicated.

Other Possible Fees

Mortgage fees Remember that if you are taking out a mortgage on the property there will be an arrangement or “set up” fee. These vary but as a guide, you should allow around 1% - 2% as detailed above - for the banks arrangement fee and other associated costs. The bank will confirm the mortgage arrangement costs prior to agreeing the mortgage so that you are clear on this exact figure from the outset.

Most people do not know that you can use most of these buying fees – to off set any **capital gains tax** (this is the tax payable on any profit you make when you sell the property). You can also use other expenses against this tax – for instance any extensive reform work that you do on the property or

upgrades. It is imperative to ask for official receipts & invoices or “facturas” for any of these works so that you can give them to your tax advisor. We recommend using a good tax advisor right from the beginning of your purchase – they can handle all your paperwork and advise you of the best way to navigate the system. Making life a lot more simple and cost effective right from the start.

Financing your purchase

If you need finance then we can help. We can offer a variety of mortgages through Spanish banks. Spanish Mortgages are currently favorable due to low interest rates and we will shop around to find the best deal for you. We can do most of the hard work, from opening the account on your behalf, to working out all the finances and dealing with the paperwork and correspondence.

Banks in Spain are usually happy to give up to 65% mortgages to Non Spanish Residents and up to 70 or 80% for Residents. This is based on THEIR valuation of the property and can vary subject to

individual status. Setup costs for mortgages are usually between 1% - 2% of the property value & the valuation costs around 0.5 – 1 % of the property value.

To apply for a mortgage you will need most or all of the following documentation:-

- Nie Number (This can be obtained by a Spanish lawyer on your behalf)
- Tax Returns & / or Wage Slips
- Copy of employment contract
- Accounts (in the case of self employment)
- Passport

In some instances—where tax returns are not available — for example: employment on a yacht which is registered in a tax exempt country, the banks many consider other documents that prove income such as bank statements & references or bank guarantees from your country of residence.

Please remember that the above is just a guide – you should always seek the advice of professional legal advisors & tax consultants to obtain the most current & accurate information.

This information is also intended for your own personal information and reference.

Unique Mallorca can and will take of everything for you.

Relax Take care of your peace of mind by letting us take care of the rest.