

HOW TO BUY IN MAJORCA



JOHN TAYLOR

LUXURY REAL ESTATE SINCE 1864

AUGUST 2020

Get your Foreigner's Identity Number.

If you want to do any business or financial transactions in Spain - Majorca - including purchasing a property or opening a bank account and pay your taxes, you will need to have a NIE number (Numero de Identificación de Extranjeros), which is the Identity Number for Foreigners. EU citizens will get this number automatically, when they apply for it. Citizens with other nationalities must first register and get a permit before they can get a NIE number.

You may be able to apply for a NIE number at the Spanish Embassy or Consulate in your home country, but we can also organize this for you in Spain.

Open a Spanish bank account.

In order to buy a property and to set up the automatic payments for water, electricity, etc. you will need a Spanish bank account. We are collaborating with many banks, that also speak your language, so we can help you to set up an account at the bank of your choice.

Hire a lawyer.

You are strongly advised to hire a lawyer to advise you during the buying process about all the legal implications of buying a property in Spain. The lawyer will also help you during the buying process with the due diligence on the property, with the administrative issues and the preparation of contracts. If you do not have one yet, we can recommend you various well reputed and experienced lawyers. We would advise you to hire always a local lawyer, who is familiar with the special characteristics of real estate in Mallorca. You can give the lawyer also a power of attorney, so that he can act and sign on your behalf, if necessary. Some lawyers also offer extra services like accounting and tax consultancy.

Choose a real estate agent.

The real estate agent will guide you through the entire process of finding the right property for you, negotiating with the seller and completion of the purchase. Unlike in some other countries, in Mallorca we have a multiple agency system, which means that one property is usually marketed by various real estate agencies. This means that you will cover with one real estate agency a very large percentage of the available properties for sale. It is also very common for real estate agencies to make collaborations with other agencies in order to be able to offer the right products to the buyer. Moreover, we also offer you our after sales service like helping you with the interior design and furnishing of your new home, recommending you architects and builders for refurbishments and improvements, project management, rentals, etc.

Offer and negotiation.

Once you have found the right property and you have decided that you want to buy it, you can make an offer. Your real estate agent can advise on the current market price for similar properties in the same area and what would be a reasonable offer depending on each individual case and circumstances. In this offer you will mention the price that you are willing to pay and the time frame, in which you would be able to complete the sale and pay the full price.

Due Diligence.

When an agreement on the price and the terms of the sale between the buyer and the seller has been reached the lawyer (sometimes in collaboration with an architect and/or tax advisor) will do the due diligence and check all the legal and urbanistic details of the property and its ownership. He will also verify whether there are any outstanding mortgages or other charges on the property. Additionally he will determine, which documents have to be delivered by the seller in order to be able to complete the purchase.

Private contract.

The next step in the process is signing a private contract between the seller and the buyer. There are various possibilities, but the most usual contracts are the Contrato de Arras and the Option Contract. In this contract all the terms and clauses for the purchase of the property will be mentioned. It will also include the price and the costs that will have to be paid by both parties and the deadlines in the process towards the completion at the notary's. When this contract is signed you will make an initial deposit payment, which is usually 10 % of the sales price. The time frame between the private contract and the signing of the title deed is flexible and depending on the circumstances can vary between some weeks and several months.

Apply for a mortgage.

If you decide not to buy the property entirely with your own resources you can apply for a mortgage. Normally, banks in your home country do not finance the purchase of properties abroad, so you can choose between an equity release on a property you have at home or setting up a mortgage with a Spanish bank. Although you are a cash buyer in some circumstances it might make sense for inheritance or tax reasons to take a mortgage. We can recommend you banks, mortgage brokers and tax advisors to inform you about the different options.

Foreign exchange.

If you are buying a property with funds coming from outside the EURO zone, then we would recommend to get advise from a foreign currency exchange company in order to avoid extra costs or additional expenses related to the fluctuation of currency and banking fees.

Completion of the purchase at the notary's.

In Spain the notary is a public official authority and is required to witness the deed of sale. The notary prepares the official contract (Escritura) and makes sure that the sale of the property complies with Spanish regulations. At the same moment of signing the title deed the balance of the purchase price and all the fees are paid and the hand-over of the property is done simultaneously. This means immediately after signing the title deed you are the new owner of the property and you will be given the keys. The buyer is entitled to choose the notary.

Register the property.

All property transactions must be registered with the local registry office. Most notaries offer this service, but it can also be done by your lawyer or by an administration service (gestoría).

Costs involved in buying a property in Majorca:

As a buyer of a property in Spain there are a number of costs and taxes on top of the purchase price that you will have to pay. Depending on whether you are buying a new built property from a developer or a resale property from a private person, you will have to pay either VAT and Stamp duty or the property transfer tax.

- **VAT (IVA):** This tax applies for residential properties, which are sold for the first time, commercial properties and plots of land owned by a company. The VAT (known as IVA in Spain) is a national tax and is the same wherever in Spain the property is located. The VAT rate at this moment is 10% on the purchase price of residential properties and 21% for commercial properties and plots of land.

- **Stamp duty (AJD):** The stamp duty (known as AJD = Actos Jurídicos Documentados) is only applicable in combination with a VAT payment. If the purchase of the property is not subject to VAT, then the buyer does not have to pay stamp duty. At present in Mallorca the Stamp Duty is 1,2%.

- **Transfer Tax (ITP):** This transfer tax (known as ITP= Impuesto Transmisiones Patrimoniales) applies if the property is not a new property, but a second or posterior transfer. This tax rate is determined by each autonomous region in Spain. In the Balearic Islands the rate is based on the price range of the property as follows:

- For properties until 400.000 the tax rate is 8%.
- For properties between 400.000 and 600.000 the tax is composed of 32.000€ + 9% on the rest of the value of the property above 400.000 €.
- For properties between 600.000 and 1.000.000 the tax is 50.000 € + 10% on the rest of the value of the property above 600.000 €.
- For properties above 1.000.000 the tax is 90.000 € + 11% on the rest of the value of the property above 1.000.000 €.
- Example : property price 500.000 means 32.000 € + 9% \times 100.000 = 32.000 € + 9.000 € = 41.000 €.

- **Notary fees:** The notary fees are calculated also in relation to the purchase price of the property. Normally the fees are around 0,5%, but to be on the safe side you should calculate 1%

- **Registry fees:** The registry fees are the expenses related to inscribing the property in the land registry and are also related to the purchase price. The maximum is about 2.200 €.

- **Legal fees:** The lawyer will charge you according to the service you will require and will establish his fees based on the purchase price of the property and the complexity of the case. Normally the legal fees could vary between 0,5 and 2% of the purchase price.

- **Agency fees:** the fees of the real estate agency are paid by the seller and are already included in the price unless it is agreed otherwise. The commission rate varies and there might be exceptions, but in Mallorca agencies charge normally up to 6 % of the sales price.

Costs for owning a property in Spain

These are the additional costs you will have, when you own a property in Majorca.

- **Council tax (IBI):** This is a local tax charged by the townhall and paid once a year on the ownership of property in Spain independently of whether the owner is a resident or not. It is calculated on the administrative cadastral value of the property, which normally is much lower than the market value of the property. Depending on the local authorities the rate is between 0,4 and 1,1 % of the cadastral value of the property.
- **Tax on waste (Basuras):** This is also a local tax charged by the townhall and paid once a year. The amount varies and depends on the size, value and location of the property.
- **Community fees:** these fees vary on the size of the community, the installations and services provided, etc.
- **Income tax** - this depends on your personal situation and needs to be studied by your tax advisor / lawyer.
- **Wealth tax** - Impuesto de patrimonio - this depends on your personal situation and needs to be studied by your tax advisor / lawyer.

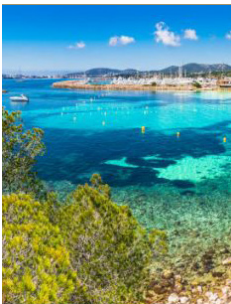


JOHN TAYLOR

LUXURY REAL ESTATE SINCE 1864

THE GREATEST TRANSACTION
ALWAYS BEAR THE SAME SIGNATURE

JOHN TAYLOR, A COMPANY OF THE ARTCURIAL GROUP



AGENCY

JOHN TAYLOR SANTA PONSÀ

Sales- Rentals

Gran Via Puig des Castellet 1 y 2
Bloque 4, Local 5 - 07180 Santa Ponsa

+34 971 691 089

santaponsa@john-taylor.com

www.john-taylor.com



AGENCY

JOHN TAYLOR PALMA

Sales- Rentals

C/ Constitucion 8
07001 Palma

+34 971 598 800

palma@john-taylor.com

www.john-taylor.com