

# Spain Finance Guide to Buying Property

Making travel money easy





# Buying in Spain made *easy*

Buying property in a foreign country can feel overwhelming, given the unique processes and potential language barriers. To navigate this, we've outlined some key guidelines to follow, and we highly recommend connecting with a specialist before embarking on this journey.

This guide is your essential companion for understanding the intricacies of obtaining a property in Spain, whether you're a resident or a non-resident. In this guide, we'll walk you through the process of securing your dream home.

Our goal is to provide you with the knowledge and tools you need to make informed decisions about your property investment in Spain. We'll take you through everything, from mortgage application requirements to the significance of foreign exchange, taxation, legal considerations, and wealth management.

By the time you finish this guide, you'll feel confident and well-prepared to navigate the Spanish property market confidently, ensuring a smooth and favourable experience on your journey to property ownership in this beautiful country.

Our trusted partners enable us to secure lower rates for you. If you have any questions around EasyFX or any services featured, please [contact our friendly team](#). We're here to make it as 'easy' as possible for you.

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# General Guidelines for Mortgages in Spain

# General Guidelines for Mortgages in Spain

When considering mortgages in Spain, it's essential to keep these general guidelines in mind:

## Loan-to-Value (LTV) Ratio:

The LTV ratio typically falls in the range of 70% to 80%, depending on factors such as your tax and residential status, as well as your employment type. If you're self-employed, lenders usually require a minimum of three years of audited accounts. For non-residents, the LTV ratio typically stands at around 70%.

## Loan Terms:

Mortgage terms can vary, with some lenders offering options up to 20 to 30 years. However, they generally cap the term at the average age of 70.

## Interest Rates:

Interest rates can differ among lenders. Although they have recently increased from an all-time low of just under 2%, you can still lock in a favourable rate for the entire mortgage term. Presently, you can expect rates to start at around 3% to 3.5%.

## Fees:

It's important to budget for fees and charges, which typically amount to approximately 15% in addition to your contribution of 20% to 30% of the purchase price.



# Mortgage Application Process

Once you've provided all the necessary documentation to your broker or lender, they will promptly review your eligibility and grant you the green light to proceed. Typically, this evaluation process can be completed within just a couple of days, provided you've submitted all the required documents essential for assessing your profile.

This streamlined procedure ensures that you can swiftly move forward with your mortgage application, making the journey as efficient and hassle-free as possible.

## Required Documentation for Mortgage Application

### Documents for Individuals:

- A copy of your passport
- Proof of your current address
- Letter of employment
- The last three months' bank statements for all your accounts
- Confirmation of any existing loans and assets, such as your mortgage offer/statement and title of proof
- The most recent three months' payslips
- Your tax returns for the past two years

### Documents for Company Owners

For individuals who are company owners, the documentation requirements align with those listed above. However, in addition to these, you will generally be asked to provide:

- Three years of audited accounts and tax returns
- A comprehensive company profile
- The Memorandum of Association and Articles of Association for your company

These documents are crucial for a smooth mortgage application process. If you have any questions or need assistance in gathering these documents, please feel free to [reach out to our team](#), and we'll be more than happy to help. Once you've assembled your documents, your dedicated mortgage advisor will take charge of your application, which might involve submitting it to multiple lenders to offer you a range of options. The initial step of gaining pre-approval for your requested loan amount and term should typically take only a day or two.

However, please note that some lenders may require you to find a property before they accept your application. Therefore, it's vital to engage with an advisor early in your property search to confirm your eligibility. Upon receiving the green light from your advisor, you'll be ready to take the next steps. This involves making an offer, paying the reservation deposit, and agreeing on a date to sign the "Arras" (preliminary contract). At the notary, you'll be expected to pay 10% of the purchase price.

When signing the Arras, it's advisable to include a mortgage clause in your contract that safeguards your 10% deposit. This clause ensures that if the lender declines your application or offers terms different from what you require (e.g., you need 70%, but they approve only 65%), you can recover your reservation deposit. This protects your interests during the transaction.

The subsequent stage leading to the final offer may take a bit longer than the initial pre-approval, as the bank will conduct further assessments once you've found a property or provided them with the property details. It's generally recommended to have your pre-approval in place so that you can act swiftly when you identify a property you'd like to make an offer on.



After you've found your desired property, the lender will arrange for a property valuation. Their offer will be based on this valuation, combined with your personal profile, including specific terms of the mortgage, such as the loan amount, mortgage term, and any special conditions. These terms may vary from the original pre approval offer, often due to the valuation or specific conditions you've requested.

It's important to note that many lenders will stipulate the necessity of a life insurance policy and home insurance. You have the option to source these from a third party, but keep in mind that if you choose to acquire these products from the lender, you may be eligible for more competitive rates.

Once all the necessary legal checks have been completed on your property, a process similar to searches in the UK, you'll be ready to proceed with the transaction. Typically, the completion date is agreed upon at the time of signing the Arras.

Next, you'll need to schedule an appointment at the Notary to review and sign the final offer provided by the bank. This step is now legally required in Spain to ensure that you fully comprehend all the terms and your legal rights before committing to the loan.

Your bank representative will assist you in opening a bank account, where you'll be required to transfer the funds for your contribution, property-related fees, and taxes. During the completion at the notary, your bank representative will also be present with a banker's draft containing the total amount of the purchase.

Our team will be here to guide you through every step of this process and answer any questions you may have. If you need assistance or have any queries, please don't hesitate [to get in touch with us](#).



# Foreign Exchange and its Significance



# Foreign Exchange and its Significance

When it comes to relocating or purchasing property abroad, one of the most critical factors to consider is Foreign Exchange. It's a component that's often overlooked but should genuinely be factored in from the very outset of your purchase journey. We recommend engaging with a specialist during the property viewing stage for a compelling reason: when you're buying property in a different currency than that of what you hold, you become exposed to the unpredictable nature of currency fluctuations.

Currency values fluctuate continually, which makes it challenging to budget effectively when you have a fixed amount of funds earmarked for your purchase or relocation. This sum you hold is subject to constant, moment-by-moment fluctuations.

Consider that a property purchase in Spain can span anywhere from 3 to 4 months to complete. It's not uncommon for currencies to experience fluctuations ranging from 5% to 10% within that period. Take, for instance, the GBP to EUR currency fluctuations in the past 12 months, with a high of 1.19 and a low of 1.07.



*Disclaimer: Please note that the graph depicting currency volatility is based on historical data, and past performance is not indicative of future results*

The question then arises: How can you eliminate the risk associated with these currency fluctuations?

## Banks vs FX Providers

One of the primary advantages of using an FX provider is its potential to be +3% more cost-effective compared to high street banks. When you deal with banks for currency exchange, they typically incorporate a substantial profit margin into the market rate, making it notably expensive, especially when you're dealing with larger sums for international transfers.

In addition to being cost-effective, FX providers specialise in managing risks associated with foreign exchange. This expertise allows them to effectively mitigate currency fluctuations by locking in exchange rates for future dates, this is achieved using a Forward Contract. This feature proves especially valuable for property transactions, where you can lock in the exchange rate at the time of agreeing on the property's price with the seller or buyer.

By doing so, you gain the ability to budget accurately, knowing the exact amount you'll need to pay in your currency at the completion of your purchase or sale. This financial security is a significant advantage when engaging in international property transactions.

It's important to note that high street banks typically cannot offer this product to private individuals. The graph below provides an example of how a Forward Contract can work, illustrating a purchase of €500,000 when a buyer transacting in USD in the last twelve month, purchasing power decreased at the extremes by over 18%. **Which represents a difference of over \$80,000 that could have been saved by using a forward contract.**



*Disclaimer: Please note that the graph depicting currency volatility is based on historical data, and past performance is not indicative of future results*

Buying and selling property abroad often takes time and may involve several currency transactions. EasyFX can protect you from exchange rate volatility and make substantial savings on your property transactions by delivering time-critical funds to your bank or solicitor on time.

If you're interested in exploring how a Forward Contract could benefit your specific situation, please don't hesitate to [get in touch](#). Our team is ready to assist you in understanding and leveraging these financial tools to your advantage.



## Additional Advantages of Our Services:

- Simple and obligation-free registration process.
- Secure exchange rate options, allowing you to lock in rates at the time of quoting (Spot or Forward) or target specific rates using Market Orders.
- Safe and efficient bank-to-bank transfers, with the option for same-day fund transfers.
- Significant reduction or elimination of banking fees associated with international transactions.
- No restrictions on minimum or maximum transfer amounts.
- Acceptance of debit card payments for trades under £9,500.00.
- Multi-Currency card for international travel, effectively functioning as a bank account in the visited country.
- Prompt transfer notifications for every transaction, providing peace of mind throughout the process.
- Extensive expertise in surrogacy-related transfers, assisting numerous intended parents and collaborating with international surrogacy affiliates to streamline payments.



## Safety and Security at EasyFX

At EasyFx, your peace of mind is our top priority. We are authorised and regulated by the Financial Conduct Authority (FCA), ensuring the highest levels of security for your funds. Each year, we exchange billions of Pounds worth of currency for our clients, attesting to our reliability and trustworthiness. With a history dating back to our establishment in 2005, we have grown to become one of the most reputable foreign exchange providers worldwide, with a presence in the UK, Europe, and North America.

To learn more about our regulatory status, you can find additional information [here](#). Additionally, we offer you the convenience of a [free Multi Currency Card](#).



# Understanding Taxation in Spain

# Understanding Taxation in Spain

Spain's taxation system is decentralised, with both the central government and regional governments authorised to impose and collect taxes. The central government administers nationwide taxes, while regional governments have the authority to levy specific regional and local taxes.

## Types of Taxes:

### Personal Income Tax (IRPF - Impuesto sobre la Renta de las Personas Físicas):

This progressive tax applies to residents of Spain and non-residents who earn income in the country. Tax rates vary according to income levels, beginning at 19% for lower incomes and reaching a maximum rate of 47% for higher incomes.

### Corporate Income Tax (Impuesto sobre Sociedades):

Companies operating in Spain are subject to this tax, with a standard rate of 25%. However, reduced rates are applicable to specific types of companies and circumstances.

### Value Added Tax (IVA):

Similar to the sales tax in other countries, VAT is levied on most goods and services. It typically has three rates: a standard rate of 21%, a reduced rate of 10% for specific items like certain foodstuffs and cultural events, and a super reduced rate of 4% for essential goods such as basic food products and certain healthcare services.

### Wealth Tax (Impuesto sobre el Patrimonio):

This tax applies to individuals with high net worth, with varying rates depending on the region. Some regions have even eliminated this tax altogether.



Spain's Beckham Law, officially known as the Spanish Law 35/2006, has played a crucial role in attracting international talent and invigorating the country's economy. By offering enticing tax benefits to foreign residents, Spain has positioned itself as a desirable destination for high-net-worth individuals looking to optimise their tax liabilities. While the law has been lauded for its economic advantages, it has also faced criticism for contributing to inequality. Nevertheless, with ongoing reforms, the Beckham Law continues to evolve, aiming to create a more equitable environment while advancing Spain's economic growth and prosperity.

The key incentive provided by the Beckham Law is a flat tax rate of 24% on income generated within Spain for eligible individuals. Normally, Spanish residents are subject to a progressive tax rate that can reach as high as 47%. However, under this law, foreign residents can choose the flat tax rate for a six-year period. As a result, high earners find the Beckham Law appealing, as it enables them to reduce their tax liability significantly, thus substantially increasing their disposable income.

## Additional Taxes:

### Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones):

This tax varies across Spanish regions, with each region having the authority to regulate it differently. The rates depend on the degree of kinship between the donor and recipient, typically offering lower tax rates to immediate family members.

### Special and Excise Taxes:

Spain imposes specific taxes on various activities and goods, including tobacco, alcohol, energy, and gambling. These taxes serve as a source of revenue for the government while also regulating these activities.

## Tax Compliances and Deadlines in Spain

Residents in Spain for tax purposes must declare their worldwide income. The tax year spans from January to December, with the deadline for individual tax filings typically set at the end of June the following year. Companies, on the other hand, have until July to submit their corporate tax returns.

The Spanish Tax Agency oversees tax administration, supervision, and collection at the national level, while regional tax agencies manage regional taxes and specific local taxes, ensuring that tax compliance is efficiently regulated and monitored.

## Conclusion

Understanding the tax system in Spain is essential for individuals and businesses residing or operating in the country. As this overview illustrates, while tax rates and regulations may differ across regions, Spain's fiscal system is strategically designed to foster economic growth and societal well-being. Maintaining proper tax compliance is pivotal, as it enables the country to deliver essential services such as healthcare, infrastructure, and education to its citizens and visitors alike.

It's crucial to note that while lotteries and premium bonds are generally tax-free in Spain, significant prize winnings are subject to taxation. Likewise, compensation related to pension mis-selling is also subject to taxation in Spain.

Becoming a tax resident in Spain is contingent on spending over 183 days in the country during a calendar year, which need not be consecutive. For instance, a 3-month stay, a 5-week visit, and a 2-month stay would collectively suffice to establish tax residency.

Tax residency is primarily determined by your centre of economic interests. Additionally, a separate assessment considers you "deemed" to be a tax resident in Spain if your spouse and minor children are residing in the country. In this case, you must provide evidence to establish that you are not a Spanish tax resident. Payments made to foreign tax authorities, such as in the UK, do not automatically prove non-residency. The burden of proof rests upon you, and demonstrating non-residency can be challenging, especially when your family resides in Spain. It is, therefore, advisable to seek expert guidance to navigate the complexities of tax residency in Spain.

Our team will be here to guide you through every step of this process and answer any questions you may have. If you need assistance or have any queries, please don't hesitate [to get in touch with us](#).



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# Legal Considerations

## Legal Considerations

Purchasing property abroad necessitates seeking independent, third-party legal counsel. In most instances, you can engage a bilingual legal representative based in Spain or locally, well-versed in local and national legal processes.

While estate agents might suggest that third-party legal advice isn't essential because the notary will review contracts upon completion to expedite the deal, such advice proves invaluable in sidestepping numerous pitfalls leading up to the completion.



The notary, representing all parties involved, will not incorporate specific clauses into your purchase agreement that might be crucial for your protection. For example, verifying the legality and registration of amenities like swimming pools or ensuring you can retrieve your 10% deposit if your mortgage offer is declined, and you're unable to purchase the property without funding. It's crucial to secure legal guidance to safeguard your interests directly from any potential issues related to your purchase.

While the cost may range from €1000 to €2,500, your solicitor will ensure that all necessary clauses are incorporated into your contract, saving you from significant complications later in the process.

If you would like to gain a better understanding of our experience working with legal experts, please don't hesitate to [get in touch](#). Legal counsel is an essential element of a secure and smooth property acquisition process.





# Wealth Management in Spain:

# Wealth Management in Spain: Why it's Important

Whether you are a resident of Spain or considering investing in the country, having a wealth manager can be important to protect your financial wellbeing. A wealth manager is a professional specialised in creating personalised strategies to safeguard and grow the wealth of their clients, taking into account their specific goals and circumstances. Below are a number of areas where the right manager can support you in Spain:

## Expertise in the Local Financial Landscape:

Spain operates under its own set of economic and financial regulations. A wealth manager who is well-versed in the local market can provide advice tailored to the Spanish banking and investment sector. They guide you through the intricacies of tax planning, estate planning, and investment opportunities within Spain.

## Customised Financial Solutions:

Every individual's financial situation is distinct. A wealth manager in Spain assesses your specific circumstances, goals, and risk tolerance to craft a tailored financial plan. They offer guidance on suitable investment options, including real estate, stocks, bonds, or mutual funds, aligning with your financial objectives and time horizon.

## Risk Management and Diversification:

Wealth managers in Spain can support you with risk management strategies. They should provide you with advice regarding your investment portfolio across various asset classes, sectors, and regions.

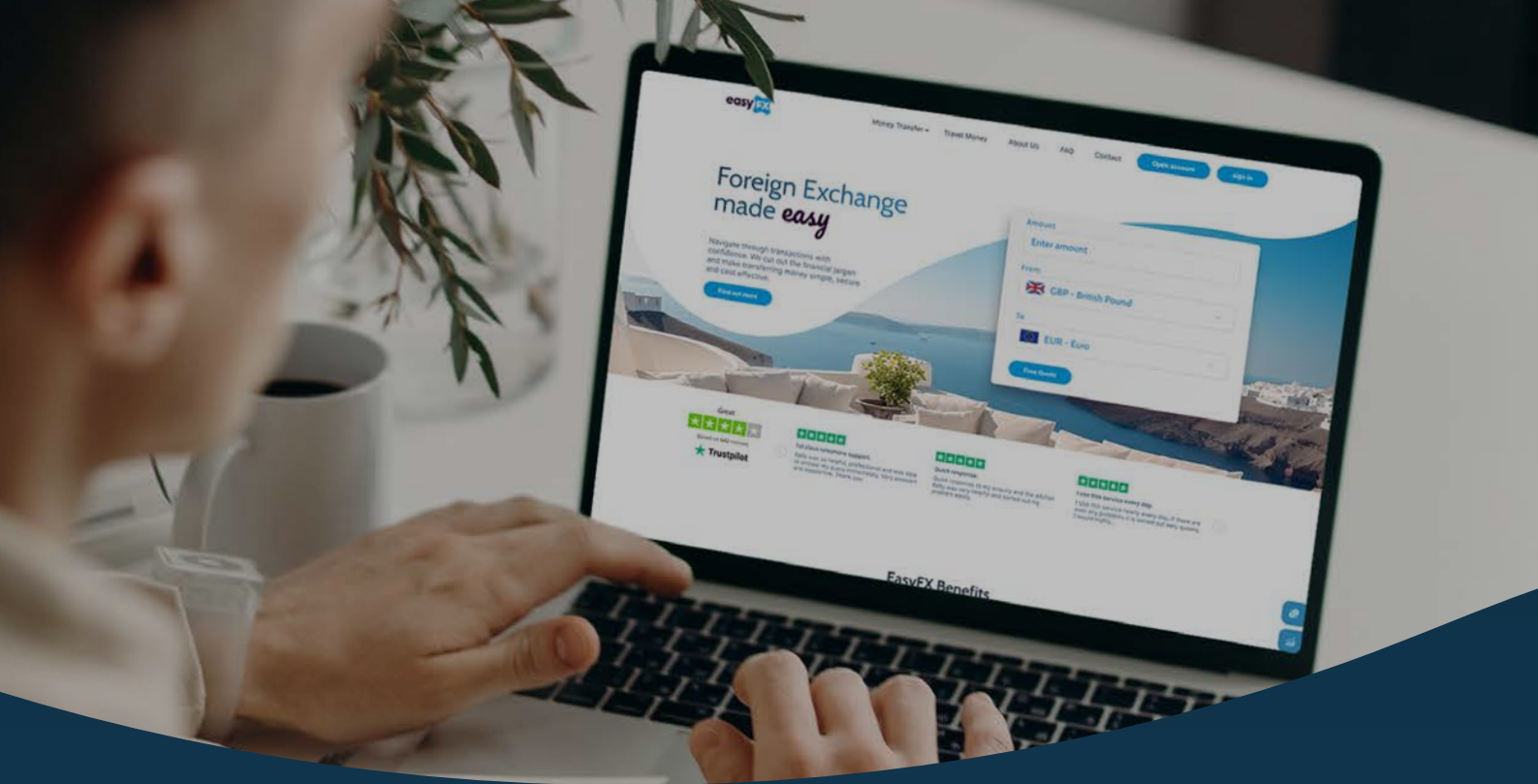
## Monitoring and Performance Evaluation:

Keeping tabs on your portfolio and adapting to shifting market conditions can be daunting. A wealth manager can monitor your investments, ensuring alignment with your objectives and adjusting strategies as needed. Regular performance assessments provide transparency and accountability, enabling you to gauge progress on your financial affairs.

## Comprehensive Financial Planning:

Wealth managers can analyse your entire financial landscape, encompassing assets, liabilities, income, expenses, and future goals, to create a comprehensive plan. Beyond investing, they can assist with retirement planning, education funding, insurance needs, and estate planning.

[Get in touch](#) and our team will be happy to assist.



# For More Information

If you require guidance or support with any of the following matters, we are here to help:

- Mortgage
- Foreign exchange (FX)
- Tax and wealth management
- Legal services

Our experts are ready to provide the information and assistance you need to make informed decisions and ensure a smooth and successful experience in Spain. Please don't hesitate to get in touch:

+44 (0) 20 7959 6890

[spain@easyfx.com](mailto:spain@easyfx.com)

<https://www.easyfx.com/contact>

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*Disclaimer:*

*The information provided in this finance guide is intended for general guidance and should not be considered a substitute for professional advice. Individual financial and legal situations vary, and regulations may change. We recommend consulting specialists in the relevant areas, such as financial advisors, tax professionals, legal experts, and wealth managers, to obtain personalised guidance. EasyFX can connect you with trusted third-party specialists to address your specific needs. Your financial and legal well-being is our priority, and we are here to ensure you have access to the right resources for informed decision-making.*