

COSTA BLANCA: Calle Doctor Luís Rivera nº 15, bajo.
Guardamar del Segura (Alicante). C.P. 03140. P.O. Box 187.
Telf: 96 572 72 95 / Fax: 96 572 74 11

COSTA DE ALMERIA: Calle Mayor, 98. Vera (Almería). C.P. 04620.
Telf: 950 393 736 / Fax: 950 390 197

GM LEGAL EXPERTS

**Asesores y Abogados
Solicitors & Lawyers
Berater und Rechtsanwälte**

INVESTMENT GUIDANCE

GM Legal Experts would like to thank you for the confidence deposited in us to manage your investment in Spanish properties.

We are a Solicitors & Lawyers Firm with one of the largest reputation in Spain for Legal Advice and Property Investments. Our expert team of professionals is made up of qualified Solicitors, Lawyers & Accountants with the skills to offer practical and specialized legal & fiscal advice in a responsive manner.

The target of this report is to be a general guide for investing in Spanish properties and summarizes the legal, fiscal and financial involvements.

TO PURCHASE

A safe investment: the legal searching.

GM Legal Experts confirms that your money is safe and you are investing in the right property through legal searches, which involves the following checking:

- **Ownership** of the land / property through the Registry of Property.
- **Bank Guarantee**, which guarantees the down payments made before completion as purchase price.
- **Town Planning Permission.**
- **Reservation & Purchase Contract** terms & conditions, and payment schedule.

We will let you know if the property fulfils with the legal regulations before you make any payment to the Builder / Owner for the property.

The Purchase Taxes and Expenses

On completion the builder and the buyer sign the Public Title Deed, which is made and stamped by the Public Notary and is taken as reference to calculate the purchase taxes and expenses. The taxation is different for new and re-sale properties:

New Properties:

- 7% V.A.T. (16% for commercials).
- 1% Stamp Duty Tax (this percentage varies depending on the Spanish Region).

Re-sale Properties:

- 7% Transmission Tax.

The purchase expenses are the Notary & Registry of Property Fees.

GM Legal Experts will manage the whole purchase process on your behalf, arranging all the required paperwork and making all the tax payments. Our Conveyancing Fees are

1% on purchase price. We request half at the beginning of the process and the rest on completion.

TO FINANCE

If on completion you require financing to fulfil with the last stage payment of the purchase, you can take out a Spanish mortgage on the property.

We are proud to inform that **GM Legal Experts** is closing special agreements with Banks and getting for our clients special mortgages conditions which involve a substantial improvement to standard terms offered by the Bank Entities (better interest rates and a significant increase on the maximum amount allowed).

We summarize the types of mortgages as follows:

- **Capital & Interest Repayment:** The maximum amount lent is 70% or 80% on property valuation made on completion. The repayment is made up to 60% by the capital and 40% by the interest. The interest rate you can get is lower than for other type of mortgages, so it is very attractive to purchase a residence home.
- **Interest Only Mortgage:** The maximum amount lent is 60% or 70%-80% on property valuation made on completion. The repayment is made up just by the interest up to 15 years (if 60%) or from 5 to 10 years (if 80%-70% respectively). Usually the interest rate for this type of mortgages is substantially higher than the one applying above, but **GM Legal Experts** is getting for our clients just slightly higher rates which make the product very attractive for the investors.

The **maturity period** for the above types of mortgages is from 20 to 30 years (depending on your age). Please get in touch with us for more information about the current interest rates.

The Mortgage Taxes and Expenses

To take out a mortgage generates the following expenditure:

- Stamp Duty Tax, which is 1.7% on mortgage amount allowed.
- Notary and Registry of Property Fees.
- Opening Fee.
- Valuation and Bank Management Fees.

The loan purpose is the major factor when deciding the type of mortgage you would like to take out.

We can also provide remortgages & equity release with very attractive rates.

TO RENT THE PROPERTY

Below we are going to show you the tax involvements when leasing a property in Spain, which are different depending on the investment way:

By Individual

- A Non Resident has to pay 24% Income Tax on the gross rent, and it is not allowed to claim it back.
- The Tax is paid annually, but to secure the payment the Tax Office forces the Tenant to retain the 24% Tax from each rent payment.
- If the property is leased by a Management Company, on the rent has to be charged 16% V.A.T, which must be paid by the lessor to the Tax Office or compensated with the purchase V.A.T.

By Company

- The Tax is 25% on net income, and you are allowed to deduct the Company expenditure, as capital allowance (2-3% on property price), furniture allowance (10% on furniture price), mortgage interest, purchase and mortgage expenditure, setting up cost, house insurance, council tax, etc. Therefore the tax can be claimed back.
- The Tax is paid annually, but to secure the payment the Tax Office forces the Tenant to retain 18% from each rent payment. If on the Corporation Tax form is shown that there is no profit or the profit is less than the amount retained, the 18% retention will be paid back proportionally.
- If the property is leased by a Management Company, on the rent has to be charged 16% V.A.T, which must be paid to the Tax Office or compensated with the purchase V.A.T.

You may know that for the above two investment hypothesis the V.A.T. on the purchase can be claimed back if the property is linked to a lease activity (offered for rental) for 10 years. If the lease period is reduced, the V.A.T. can be claimed back proportionally.

TO RESELL THE PROPERTY

From the very beginning of the process, our legal staff will secure the sale transaction arranging the required documents in coordination with the buyer.

The sale process before completion involves:

- **Reservation / Purchase contract checking:** We will go through the contract terms & conditions to confirm all the required clauses are included and avoid abusive conditions.
- **Property's Paperwork:** We will arrange the required paperwork and information about the sale in coordination with the Buyer.
- **Mortgage Cancellation:** If there is a mortgage on the property, it must be cancelled or taken over by the buyer before signing the sale Title Deed. We can represent you in this process managing the paperwork and the figures with the Bank.
- **Payment Schedule:** We will request the stage payments from the buyer in advance to avoid delays.

When the property is resold after completion the seller must pay the opportune taxes, which are different depending on the investment way:

By Individual

- The 3% Non Residents Tax Retention, which is given to the buyer in the Notary. The buyer must deposit this tax in the Tax Office within 30 days.
- The 18% Capital Gain Tax, which is calculated on the net profit made from the sale, discounting the amount given as 3% retention. It is paid two months after the deposit of the retention by the buyer. If the 18% Tax is less than the 3% retention, the Tax office must refund the difference to the seller.
- The Land Increase value Tax, which is paid to the Town Hall where the property is located.

By Company

- The 25% Capital Gain on the net profit made from the sale. As the Company is Spanish Resident, there is no retention.
- The Capital Gain Tax has to be paid the next fiscal year from the sale's date.
- The Land Increase value Tax.

Our Sale Conveyancing Fees are 0,75% of the sale price. We request the half at the beginning of the process and the rest on completion.

The process **to set up a Company** takes two months (approximately). The cost of the setting up process is:

- Provision of Funds: € 700 (to pay Notary, Registry and Taxes)
- Share Capital: € 3.100 (refundable at the end of the process).
- **GM Legal Experts** Fees to set up a Company: € 1.500 (16% V.A.T. included).

Please get in touch with us for more information about the Company process.

Please note that this report is for general guidance. If you like to get further information please do not hesitate to contact us.

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