

AFTER BUYING A HOUSE CHECKLIST

Hola
PROPERTIES

6 MOST IMPORTANT THINGS

that you should
know after
purchasing property
in Spain



PREFACE

We have worked in property for many years. We are very familiar with the Spanish system. We have helped hundreds of people with their property transactions.

That being said, we are not legal professionals.

This guide is to help you with the essential points that come up in our experience. It is not designed to cover every single thing. It merely offers an overview of the minimum you can expect.

If you have any other questions, do just get in touch. We are here to help.

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NON-RESIDENTS' TAX

Without a doubt, this is one of the most common subjects that we usually explain to our clients, a subject that surprises many of them.

Many clients have been property owners in Spain for many years and have never done anything about this tax.

For the simple reason of having a property in Spain, and if you are a NON-RESIDENT (which is the most common at first, unless you finally establish yourself here), each owner, no matter what percentage they own.

Therefore, if you have a home and a garage space, you will have to pay this tax on both of them.

If, in addition, you are an owner together with your spouse, both of you will have to submit the declaration based on the percentage of ownership that each of you has in the property, usually 50% each.

This tax is levied because you own the property. To put it simply, the tax man's mentality is if you have an asset that is not your habitual residence, the asset itself generates fictitious earnings. The tax man imagines that said asset generates a minimum income for the mere fact of having it, although there is a non-existent income (really the financial intelligence of the state, in order to raise funds, resembles many acts of faith, as in many cases, they are leaps of faith only to raise funds.)

This tax is payable annually, and must be paid at the end of the following year. In the year a property is acquired, for example in the middle of the year, it means that you will only have to declare the proportion, this means that you will have to declare the proportional period for which you have been the owner. 6 months.



Here's an example:

A client buys a property, together with their wife on 1st July 2021. That client is obliged to submit the 210 declaration for half of the year 2021 AT THE END of 2022.

What does it consist of?

The calculation system is based on several variables, hence it does not make it easy to explain how it is calculated. These calculations can change every year. However, it could be explained that it consists of determining the fictitious yield, applying a percentage on the catastral value of the property.



And to that figure, apply a percentage that varies depending on whether you are a European citizen or not.

If a property has a rateable value of €60,000, the tax for the full year, for an EU citizen, would be around €125.

What if you have owned your property for several years already and have never filed this declaration?

This is one of the most regularly asked questions!

In the Spanish system, there is a maximum time limit during which the Tax Office (Hacienda) can claim back taxes. At the time of writing, this limit is set at four years.

Therefore, the Hacienda can review from 2021 back to 2017. They are able to detect whether or not you have submitted appropriate declarations.

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In situations such as these you have two options:

1. Do nothing

Submit the tax for last year if you're still within the deadline. Once you submit it, the Hacienda could check the date that you became the property owner and if you've paid before. They will initiate a verification procedure and will end with you having to pay the tax owed. It also includes interest accrued and a fine that starts from 50% of the amount you owed.

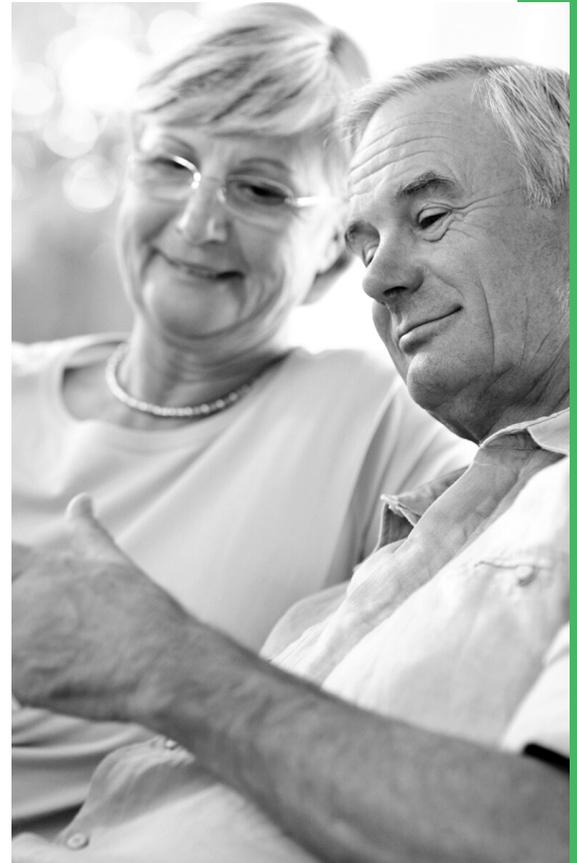
If you're lucky, you won't be checked. Many people are not willing to take this risk. In this case, option 2 is chosen.

2. Submit all taxes that are still reclaimable

You will initially pay the amount that you should have paid at the time they should have been filed. Later, you will receive letters from the Hacienda advising that you have filed late. There will be a surcharge for late filing, which can be as little as 5% up to 20%. There is also interest earned to pay back. There is no fine to recognise that you've "done the right thing". This option tends to give people peace of mind and as it's based on the Cadastral tax value, the amounts involved are rarely astronomical.

The Hacienda will not send you an annual reminder. This is something you must do of your own volition. This is not something that will automatically be taken from your account.

You, or a service provider like a lawyer or private company, has to take action in order to declare the tax. There is then the option to have the money taken directly from your account at the end of the year. But this will only happen ONCE you've put in the declaration.





PROPERTY TAX

RATES, RUBBISH
COLLECTION
& UTILITIES

Local property tax is called the IBI. Like in many other countries, the local property taxes is a **municipal** tax and depends on your property's location.

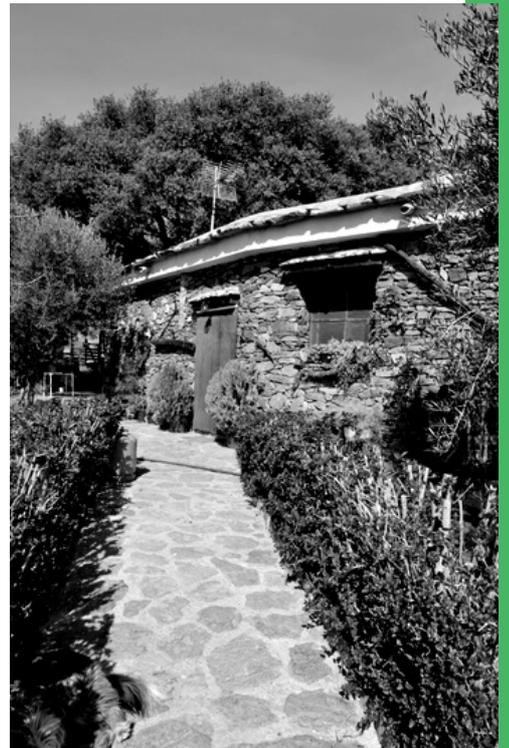
In most municipalities and cities, this tax is payable annually. In recent years, some areas now issue it twice a year. Collection of this tax is usually carried out via documents delivered by snail mail to each property. Whoever is registered on the Catastro as the property owner on 31st December is responsible for the tax bill the following year.

Changing the name of the owner is done at the time of signing the deed of purchase in the notary's office. The notary sends a message directly to the Catastro informing them.

There are some cases when the name change has not been done correctly. The bill will then continue to be in the name of the previous owner. It is still your bill so you need to ask for it from the previous owner, ask for it in the Ayuntamiento or ask the lawyer.

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Although the tax documents are sent by snail mail to each property, sometimes they don't arrive for whatever reason. There is no legal obligation to notify you about this bill. Even if you don't receive it, you need to go to the Ayuntamiento in order to get the document and pay it. Check the Ayuntamiento's website. There should be a payment schedule page that shows the dates these taxes need to be paid by.



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If you don't pay the Property Tax, the Ayuntamiento has the right to embargo the amount **directly from your bank account**. This will also include interest and surcharges.

The calculations for this tax are numerous, varied and complex. Each area has its own regulations around it. It is not easily explainable as well as keeping this document manageable!

Upon receipt of the bill, go to your bank and pay it at the cashpoint. It is also possible to pay using Online Banking. You can set up a direct debit so it's automatically taken each year at that time.

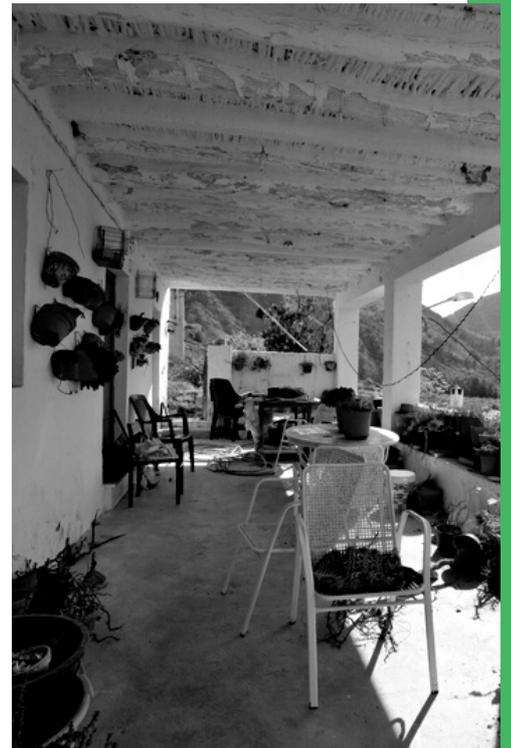
Rubbish Collection, Water, Sewerage & Street Cleaning

This tax is known as the Basura informally. It's actually called Factura Trimestral. It covers all of the above if you have a townhouse. This bill will come to your house via snail mail, the same as the IBI. It is payable to the Ayuntamiento and can be done by Direct Debit, at the bank or in the townhall.

If you have a country house, your water is usually dealt with by the Comunidad de Regantes. This bill is calculated on the number of minutes or hours of water your property and land are permitted. You can pay in the office (often very select hours!) or via Direct Debit. The Basura, if you're in a country house, doesn't cover street cleaning or sewerage. You will be charged according to what you use.

Electricity & Landline/Wifi

These are organised through private providers who will bill you directly.



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YOUR NIE

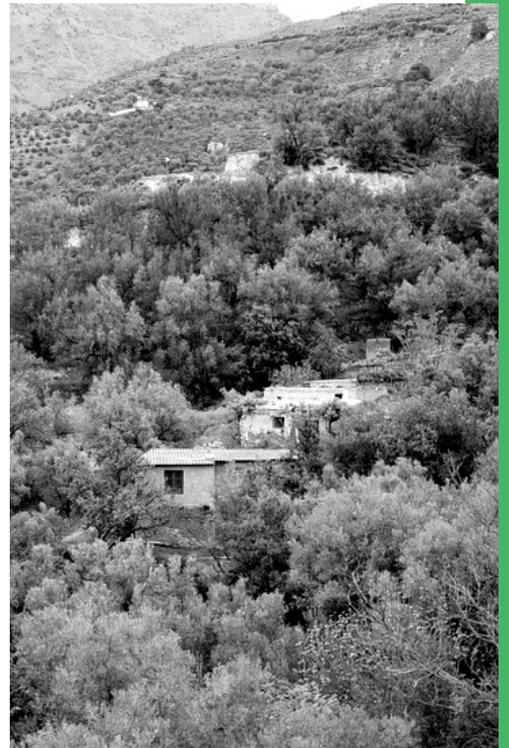
A NIE is the Identification Number for Foreigners. You will need it to buy property so if you're reading this, you're probably aware of them already.

The NIE number will never change. It is always the same one that has been assigned to you.

Your NIE is also used for a variety of other things. These can include giving them to delivery drivers dropping off parcels; buying something you need a bill for; buying a car; paying your taxes. Whenever you present a document in a Spanish administrative office, you'll need your NIE.

If it gets lost or damaged, you can easily pay to get a new copy.

It is best practice to keep your NIE on you at all times. It is also recommended to keep a copy of your passport with you too. (In certain circumstances, like signing at the notary, you'll need the original.)



Post-Brexit

There are new cards available in place of the green card/piece of paper that the NIEs have been. They are called **TIEs**. These are only for UK nationals since Brexit. They're biometric cards, made of plastic. They feature a passport photo, your details and a fingerprint on the back. It is not a requirement to change to these (at the time of writing...this may well change!). Many people are choosing to make the switch as the cards are more convenient as they're less easy to damage. The TIEs may be required in the future for people outside of the UK but not yet.

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TAX ADDRESS

When you first access the Spanish bureaucratic system, you must provide an address. This is often the office of the lawyer or private company that are assisting you.

This address then becomes your tax address. Any documents relating to taxes will go to that address.

This can mean that when you buy your home, the tax documents are still going to that previously registered address.



You may have moved areas, changed lawyers, decided against continuing the relationship and all that time, the documents are being sent to that address. Some companies will alert you. Some may even forward on the post. However, you may have changed your phone number or your email address. They may have changed their office address. Then, all your post is just lost.

Whenever you make any kind of change, make sure you know what your tax address is.

5 AM I RESIDENT OR NOT?

Are you a resident, a fiscal resident, or simply not a resident at all?

These can be technical concepts, which we don't have space for here! We will try to be as clear and concise as possible.

Every foreigner that comes to Spain is initially a **non-resident**. You may need a NIE, and depending on what you're here for, a **non-resident's certificate**. You can get these from specific police departments.

If you're British, as we said before, you'll now get a TIE.

If you decide to live in Spain permanently, you'll need to go to a police department to apply for residency. There is different paperwork required for EU and non-EU citizens.



These steps are NOT related to the tax system. You need to become a **fiscal resident** if you're in the country for more than half a year. A tax year here runs from 1st January to 31st December. The days you're here don't need to run consecutively in order to be counted.

When you're in the country for more than half the days in a year, you need to file a tax declaration every year. You will be taxed on your **worldwide wealth**.

If you move freely around Europe, without stamps in your passport, the Spanish authorities cannot tell if you've been in the country for a given amount of time or not. The burden of proof however is on you. This means that if you don't have documents, like receipts or bank card usage at certain times in the locations you claim you've been in, you are likely to be taxed as a Spanish fiscal resident.

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LETTING YOUR PROPERTY

If people are not in their property full-time, they often choose to let it. This is often the case for those with second homes in Spain.

Commonly, people use big companies to arrange this. Some examples are AirBnB, Booking.com, or Tripadvisor.

There are two types of landlords. There are those doing it as a full-time business. There are those who have a main source of income but are using a property as an extra.

In Andalusia, a **Casa Rural** can be legally rented out. It has to meet certain requirements and the owners must be registered self-employed. This of course then involves an annual tax return and other paperwork.

If you are just occasionally renting out your property, the Spanish system calls this **Returns on Real Estate Capital**.

If you're a non-fiscal resident:

you will have to do quarterly returns to show the income obtained (minus expenses).

If you're a fiscal resident:

you will have to include the overall income in an annual tax return. You submit this the following year.



CONTACT US

We want to be good neighbours to you. Don't risk finding old or incorrect information online. Just get in touch and we'll do all we can to help you navigate the Spanish system.



Mathew Wood



Great to meet you! I've been in property for around 25 years, working in both UK and international markets. Rightmove assessed my company number one in the country before we moved to Spain. I pride myself on my honesty and integrity.

Call me (+34) 643 821 325

Email me mathew@holaproperty.com

There's just one T in Mathew!

Amy Beth Reynolds



Hello! I've lived here since I was 18. My husband is Spanish so I've learned the language and the local dialect too. I love match-making people and property. Can't wait to help you find your dream home here.

Call me on (+34) 695 398 679

Email me on amybeth@holaproperty.com