

What You Need to Know About Costs and Taxes When Buying in Costa del Sol

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[Buying a property in Costa del Sol](#) can be an exciting investment opportunity, whether you are looking for a holiday home, a rental property, or a permanent residence. However, it is important to understand the costs and taxes involved in the purchasing process to budget effectively and avoid surprises. Below, we provide a detailed overview of the main costs and taxes buyers should know when purchasing property in Costa del Sol.

HOW MUCH TAX DO YOU PAY ON BUYING A PROPERTY IN SPAIN?

The amount of tax you pay when buying a property in Spain depends on whether the property is a new build or a resale. For resale properties, buyers are required to pay the Property Transfer Tax (ITP), which ranges from 7% to 10% of the purchase price, depending on the value and region. For new-build properties, buyers must pay Value Added Tax (VAT) at 10%, as well as Stamp Duty (AJD), which is typically 1.5% of the purchase price. It is essential to factor in these taxes as part of your overall budget when purchasing property in Spain.

1. PROPERTY PURCHASE PRICE

The most significant cost involved in buying property is, of course, the purchase price itself. Property prices in Costa del Sol vary widely depending on the type of property, location, and amenities. Areas such as Marbella and Puerto Banus are known for their luxury real estate, which comes with a premium price tag, while towns like Estepona and Benalmadena offer more affordable options. To learn more about financing options, you may check our article about [Financing Options for New Homes in Costa del Sol](#).

2. PROPERTY TRANSFER TAX (ITP)

If you are buying a resale property in Costa del Sol, you will be required to pay the Property Transfer Tax (Impuesto de Transmisiones Patrimoniales - ITP). The rate of ITP varies depending on the value of the property and the region, typically ranging from 7% to 10% of the purchase price. For example, properties valued up to a certain threshold may incur a 7% tax, while properties above that threshold may be subject to a higher rate.

3. VALUE ADDED TAX (VAT) AND STAMP DUTY

For new-build properties, buyers will need to pay Value Added Tax (IVA) instead of ITP. The VAT rate for residential properties in Spain is 10% of the purchase price. In addition to VAT, buyers of new-build properties must also pay Stamp Duty (Actos Jurídicos Documentados - AJD), which is typically around 1.5% of the purchase price.

4. NOTARY FEES

The purchase of a property in Spain must be formalised in front of a notary, who will prepare the official deed of sale (escritura pública). The notary fees are generally based on the value of the property and usually range between €600 and €1,200. The notary ensures that all legal requirements are met, and the fees are paid by the buyer as part of the purchasing process.

5. LAND REGISTRY FEES

Once the property has been purchased and the deed of sale has been signed, it must be registered with the Land Registry (Registro de la Propiedad). The land registry fees typically range between €400 and €700 and are based on the value of the property. This step is crucial for ensuring that the buyer's ownership rights are officially recorded and protected.

6. LEGAL FEES

It is highly recommended to hire a lawyer to assist with the property purchase process in Costa del Sol. A lawyer will conduct due diligence, ensure that the property has a clean title, and handle the various legal aspects of the transaction. Legal fees are typically around 1% of the purchase price, but they can vary depending on the complexity of the transaction and the services provided.

7. MORTGAGE COSTS (IF APPLICABLE)

If you are planning to finance the purchase with a mortgage, there are additional costs to consider. These may include mortgage arrangement fees, which can range from 0.5% to 1.5% of the loan amount, as well as property valuation fees, which typically cost between €300 and €500. It is also important to factor in the bank's commission for setting up the mortgage, as well as any associated insurance costs. For more details, check out our [Guide to Financing a Property Purchase in Spain](#).

8. ONGOING COSTS: PROPERTY TAXES AND COMMUNITY FEES

In addition to the costs associated with the purchase itself, property owners in Costa del Sol will need to budget for ongoing expenses:

- **Property Tax (Impuesto sobre Bienes Inmuebles - IBI):** This is an annual municipal tax based on the cadastral value of the property. The rate varies depending on the location and is usually between 0.4% and 1.1% of the property's cadastral value.
- **Community Fees:** If you are buying a property in a development or community with shared facilities (such as a swimming pool or garden), you will be required to pay community fees. These fees vary depending on the services provided and can range from €50 to €300 per month.
- **Rubbish Collection Tax (Basura):** Property owners are also required to pay an annual fee for rubbish collection, which typically ranges between €100 and €200 per year.

9. INSURANCE COSTS

It is advisable to take out home insurance to protect your property against damage, theft, and other risks. The cost of home insurance will depend on the value of the property and the level of coverage, but it typically ranges between €200 and €500 per year. If you have a mortgage, the lender will often require you to take out a specific level of insurance coverage.

FAQS: COSTS AND TAXES INVOLVED IN BUYING PROPERTY IN COSTA DEL SOL

WHAT IS THE PROPERTY TAX IN COSTA DEL SOL?

The Property Tax (Impuesto sobre Bienes Inmuebles - IBI) is an annual municipal tax based on the cadastral value of the property. The rate typically ranges between 0.4% and 1.1% depending on the property's location.

WHAT FEES DO YOU PAY WHEN BUYING A HOUSE IN SPAIN?

When buying a house in Spain, you will need to pay several fees, including Property Transfer Tax (ITP) for resale properties, or VAT and Stamp Duty for new-builds, as well as notary fees, land registry fees, and legal fees. These costs can add up to approximately 10-15% of the purchase price.

WHAT ARE THE HIDDEN COSTS OF BUYING A HOUSE IN SPAIN?

Hidden costs can include mortgage arrangement fees, property valuation fees, community fees, and rubbish collection tax (Basura). Buyers should also budget for ongoing maintenance and home insurance.

DO YOU PAY COUNCIL TAX ON PROPERTY IN SPAIN?

Yes, property owners in Spain are required to pay Property Tax (IBI), which is similar to council tax. This annual tax is based on the cadastral value of the property and helps cover local services and infrastructure.

HOW MUCH ARE SOLICITORS' FEES FOR BUYING A HOUSE IN SPAIN?

Solicitors' fees for buying a house in Spain are typically around 1% of the purchase price. These fees cover the legal aspects of the purchase, including due diligence, contract review, and ensuring that the property has a clean title.

FINAL THOUGHTS

Buying property in Costa del Sol involves several costs and taxes beyond the purchase price, and it is important to be aware of these expenses to budget effectively. From property transfer taxes and notary fees to ongoing expenses like property taxes and community fees, understanding the full cost of ownership will help you make informed decisions and ensure a smooth purchasing process.

If you are considering buying property in Costa del Sol and want to learn more about the best locations and investment opportunities, be sure to explore our guides on [Benefits of Investing in Costa del Sol](#) and [How to Choose the Right Real Estate Agent](#).