

## Financial Reality: Budgeting for the "Extra" Costs

One of the biggest traps buyers fall into is underestimating the closing fees. On the Costa del Sol (within the region of Andalucía), you must budget roughly **10% to 13% on top of the agreed purchase price** to cover taxes and legal fees.



The exact breakdown depends on whether you are buying a brand-new build or a resale home:

Expense	Resale Property	New Build (Off-Plan/Brand New)
Primary Tax	7% ITP (Property Transfer Tax)	10% IVA (Spanish VAT)
Stamp Duty (AJD)	None	1.2%
Legal Fees	Approx. 1% + VAT	Approx. 1% + VAT
Notary & Registry Fees	Approx. 0.5% – 1%	Approx. 0.5% – 1%

### Critical Insider Tips for the Costa del Sol Market

- The Residency Link Has Changed:** If you are a non-EU buyer, note that Spain officially closed the real estate path for the "Golden Visa" program. Buying a home is purely a lifestyle and financial investment now; it does not grant automatic residency rights. You are bound to the standard Schengen rule of staying up to 90 days out of any 180-day period unless you apply for a separate visa (like the Non-Lucrative or Digital Nomad visa).
- The 3% Non-Resident Retention:** If you buy a resale property from someone who is not a Spanish tax resident, your lawyer is legally required to withhold **3% of the purchase price** at completion and pay it directly to the Spanish tax office on the seller's behalf. This ensures the seller covers any potential capital gains tax liability before leaving the country.

Once you cross the finish line and own your dream on the Costa del Sol, the financial focus shifts to maintaining it. The annual running costs are highly predictable but vary depending on the municipality (e.g., Marbella, Estepona, or Benahavís) and the size of your property.

A typical owner can divide ongoing costs into three categories: **local municipal taxes, community fees, and basic operational expenses**

#### 1. Annual Local Municipal Taxes



These are billed directly by your local town hall (*Ayuntamiento*) and are calculated based on your property's **Valor Catastral** (the official cadastral/rateable value, which is usually significantly lower than the actual market value).

- **IBI (*Impuesto sobre Bienes Inmuebles*):** This is the main municipal property tax, equivalent to council tax. The rate ranges between **0.4% and 1.1%** of the cadastral value.
  - *What to expect:* Roughly **€300 to €1,000 per year** for a standard 2-bedroom apartment, and **€1,000 to €3,500+ per year** for a standalone villa.
- **Basura (*Rubbish Collection Tax*):** A fixed annual or semi-annual local fee for waste disposal and treatment.
  - *What to expect:* Usually between **€80 and €240 per year**, depending on the municipality.

## 2. Annual Personal Taxes (Resident vs. Non-Resident)

How you are taxed on the property depends entirely on your fiscal residency status and whether or not you rent the property out.

### If You Use the Property Purely for Personal Holidays (No Renting)

- **Non-Residents:** Spain levies an **Imputed Income Tax (*IRNR - Modelo 210*)** on non-resident owners, operating under the assumption that owning a second home provides a financial benefit. The tax is calculated as 19% (for EU/EEA citizens) or 24% (for non-EU citizens, including the UK) of a small percentage (usually 1.1% or 2%) of the cadastral value. For a €500,000 property, this translates to roughly **€600 to €1,200 per year**.
- **Residents:** If the property is your primary home (*Vivienda Habitual*), you are exempt from this imputed tax.

### If You Choose to Rent the Property Out

- You will pay standard rental income tax on the net profit instead of the imputed tax. EU/EEA residents pay **19%** and can deduct property management expenses, community fees, and IBI. Non-EU residents pay a flat **24%** and are strictly forbidden from deducting any running costs. (Under challenge by European Union as restriction on free movement of capital)

## 3. Community Fees (*Cuota de Comunidad*)

If your property is part of an *urbanización* (a gated complex, apartment building, or residential development), you are legally required to contribute to the homeowners' association.

These fees cover the shared infrastructure of the Costa del Sol lifestyle: 24-hour security, lift maintenance, community lighting, and the upkeep of manicured Mediterranean gardens and swimming pools.

- **Standard Apartment Complex:** Expect anywhere from **€80 to €250 per month** (€960 to €3,000 annually).
- **Luxury Developments (with Spas, Gyms, or Concierge Services):** Can easily reach **€300 to €600+ per month**.

- **Standalone Villas:** If the villa is completely independent on its own plot outside a resort, community fees are €0. However, you will have to assume 100% of the private pool and gardening costs directly.

#### 4. Basic Operational Running Costs

To keep the lights on and the property secure, you should budget for the following baseline services:

Service	Estimated Average Cost	Notes
Electricity	€100 – €300+ / month	Driven largely by air conditioning usage during the peak hot summer months.
Water	€30 – €60 / month	Billed quarterly. Substantially higher for villas requiring extensive lawn and pool top-ups.
Home Insurance	€150 – €700 / year	Apartments are cheaper; premium villas requiring comprehensive structural and contents cover sit at the higher end.
High-Speed Fiber Internet	€30 – €50 / month	Widely available across the coast, often bundled with landlines or basic TV packages.

**my place in the sun Tip:** Always set up **direct debits (*domiciliación bancaria*)** through your Spanish bank account for your IBI, Basura, and utilities. The local tax offices apply strict financial penalties (usually starting at 5% to 10% surcharges) for late payments, even if you simply missed the notification because you were out of the country.