

*We share this information on some of the complications when buying a property in Spain, having the support of a Personal Shopper is essential.*

# What complications does a non-resident encounter when coming to invest in Spain?

Foreign investors wishing to invest in Spain face a number of significant obstacles, which can complicate their investment process. These range from bureaucracy and regulation to tax and identification issues. The main challenges are detailed below:

## 1. Bureaucracy and Administrative Formalities

- **Obtaining a NIF/NIE:** In order to make investments in Spain, it is necessary to obtain a Tax Identification Number (NIF) or a Foreigner Identification Number (NIE). This process is known to be **complex and costly**, as it involves the submission of original documents, legalisation, translation and the completion of various forms. In addition, deadlines for obtaining appointments at the administrations can be long, which delays investments. 2
- **Foreign Investment Regulation:** Law 19/2003 establishes controls on foreign investments in sectors considered strategic. This means that many investments require prior **authorisation from the government**, which can generate uncertainty and distrust among investors. 1

Lack of clarity about which sectors are considered critical can lead to legitimate investments facing unnecessary obstacles.

## 2. Associated Costs

- **Additional costs:** The procedures for obtaining a NIF or NIE are not only cumbersome, but also entail additional costs, such as administrative fees and expenses related to the legalisation of documents. 1  
2. These costs can be a deterrent for many investors.

## 3. International Perception



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- **Business Environment Image:** The perception of heavy bureaucracy and an uncertain regulatory environment may mean that Spain is not seen as an attractive investment destination compared to other European countries. 2 4. This is particularly relevant in a global context where investors are looking for more accessible markets.

Buying a property in Spain can be a complex process for non-resident foreigners due to several factors. The following highlights the main problems they often face:

### **1. Ignorance of the legal process**

Lack of familiarity with Spanish regulations: Tourists are often unaware of the steps required to purchase a property, such as obtaining a NIE (Número de Identidad de Extranjero) and opening a Spanish bank account.

Additional documentation: They do not know what specific documents they need, such as the property debt certificate or the energy certificate.

Legal complexity: Tax, property law and contract laws may differ significantly from those in their home country.

### **2. Language barriers**

Language can be a major obstacle to understanding contracts, negotiating prices and communicating with agents, lawyers or notaries.

### **3. Lack of knowledge of the local property market**

Inflated prices: Without experience, tourists may fall victim to unfair or overpriced properties. Inappropriate location: Without detailed knowledge, they may purchase properties in areas that do not meet their expectations or needs (e.g. amenities, transport or climate).

### **4. Financing problems**

Difficulty in obtaining a mortgage: Although some banks offer mortgages to foreigners, the conditions may be less favourable, and the requirements are stricter.

Exchange rate fluctuation: This can complicate financing and increase costs if you do not handle euros.

El rol del Personal Shopper Inmobiliario establece un plan estratégico en tu inversión, ya que contamos con contactos que facilitan el proceso de solicitud hipotecario.

### **5. Risks of scams**

Acquiring properties that have encumbrances, debts or legal problems, such as ownership disputes or lack of planning permission.

Unethical estate agents who do not prioritise the interests of the client.



## 6. Cultural differences and expectations

Pace of the process: In Spain, the time taken to close a purchase tends to be slower than in other countries.

Different expectations: There may be differences in the quality standards, finishes or services offered in the properties.

## 7. Unexpected costs

Taxes and fees: such as VAT, Transfer Tax (ITP) and notary and registry fees.

Maintenance costs

## 8. Inadequate advice

Many tourists try to go through the process without hiring a specialised lawyer or a personal shopper, which can lead to costly mistakes.

## 9. Legal and Fiscal Risks

- **Risk of Sanctions:** Completing an investment without the necessary authorisation can result in severe penalties and the nullity of the transaction.<sup>1</sup> This creates a risky environment that may discourage investors from proceeding without prior consultation with the authorities.
- **Tax Treatment:** Although Spain has double taxation avoidance agreements, the tax system can be perceived as complicated and non-transparent. Foreign companies must navigate a maze of tax regulations that can differ significantly from those in their home countries.<sup>4</sup>

## Conclusion

Despite these challenges, Spain remains an attractive country for foreign investment due to its strategic position in Europe. However, it is crucial that reforms are implemented to simplify administrative processes and improve regulatory clarity, which could facilitate a greater influx of foreign capital.

At **ALVanci**, we focus on offering you a comprehensive solution to all the above-mentioned points to remove these barriers, as we have contacts that will help us facilitate the whole process. In addition to making sure you understand and feel confident with your decisions.

