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PRIVATE ESTATE SEARCH

The Complete Guide to **Buying a Property in Ibiza**

Ibiza is one of the most sought-after destinations in the Mediterranean, attracting high-net-worth individuals due to its unique mix of stunning properties, Mediterranean culture, and potential for high returns on investment. However, buying property here isn't as simple as it may seem. With evolving regulations, tax implications, and limited availability. In this guide, we will cover everything you need to know, from property types to the tax systems in place for investors and homeowners.

Chapter *Glossary*

CHAPTER 1	Types of Properties in Ibiza
CHAPTER 2	Navigating the Purchase Costs
CHAPTER 3	Understanding the Tax System
CHAPTER 4	SL vs Private Ownership
CHAPTER 5	Preparing for Your Property Purchase
CHAPTER 6	The Purchasing Process
CHAPTER 7	Turning Your Villa into a Profitable Investment
CHAPTER 8	Conclusion and Expert Guidance

CHAPTER 1

PROPERTY PURCHASE OPTIONS

Ibiza offers a diverse range of property options, from historic second-hand homes to modern new builds and plots of land. Each type of property has its unique advantages and challenges. Understanding the differences between them, as well as the associated regulations and taxes, is essential when making an informed decision.



CHAPTER 1

KEY INFORMATION

1. **Second-hand properties may benefit from having been built under earlier, more permissive regulations, for example, larger allowable built area or pool size, and can also offer immediate rental income if they include an active tourist license.**
2. **New properties are sustainable, energy-efficient, and customizable, but may face construction delays.**
3. **Land acquisition offers exciting opportunities for bespoke development, though obtaining building permits can be time-consuming and requires architectural consultation.**

CHOOSING THE RIGHT PROPERTY PATH

Buying a Second-Hand Property

Ibiza's traditional fincas and historic homes offer a unique way to connect with the island's heritage. Many have been renovated—sometimes without proper permits—so working with a lawyer to verify legal and structural status is essential. If you plan to renovate, note that the land classification and legal situation will affect what's allowed. Taxes also vary depending on the property, so knowing the legal and financial details upfront is key. A major benefit of second-hand homes is that they often offer more built area than new ones, thanks to older regulations. Some may even come with a tourist license—ideal for short-term holiday rentals in Ibiza's booming market.

Buying a New Property

New and off-plan homes in Ibiza offer modern features and greater energy efficiency. Off-plan purchases often come with flexible payment plans and some level of customization. Larger developments offer more predictable timelines, but delays can still happen due to regulations and terrain. Always have a lawyer review the contract and factor in possible delays when arranging financing.

Buying a Plot of Land

Buildable plots are increasingly scarce in Ibiza, as many areas are now protected. This makes land more competitive—but also more valuable if you're looking to build. Make sure you fully understand the land classification, as it determines what can be built, how large, and under what process. Legal due diligence is essential to confirm your project aligns with zoning laws and environmental rules.

PLOT TYPES

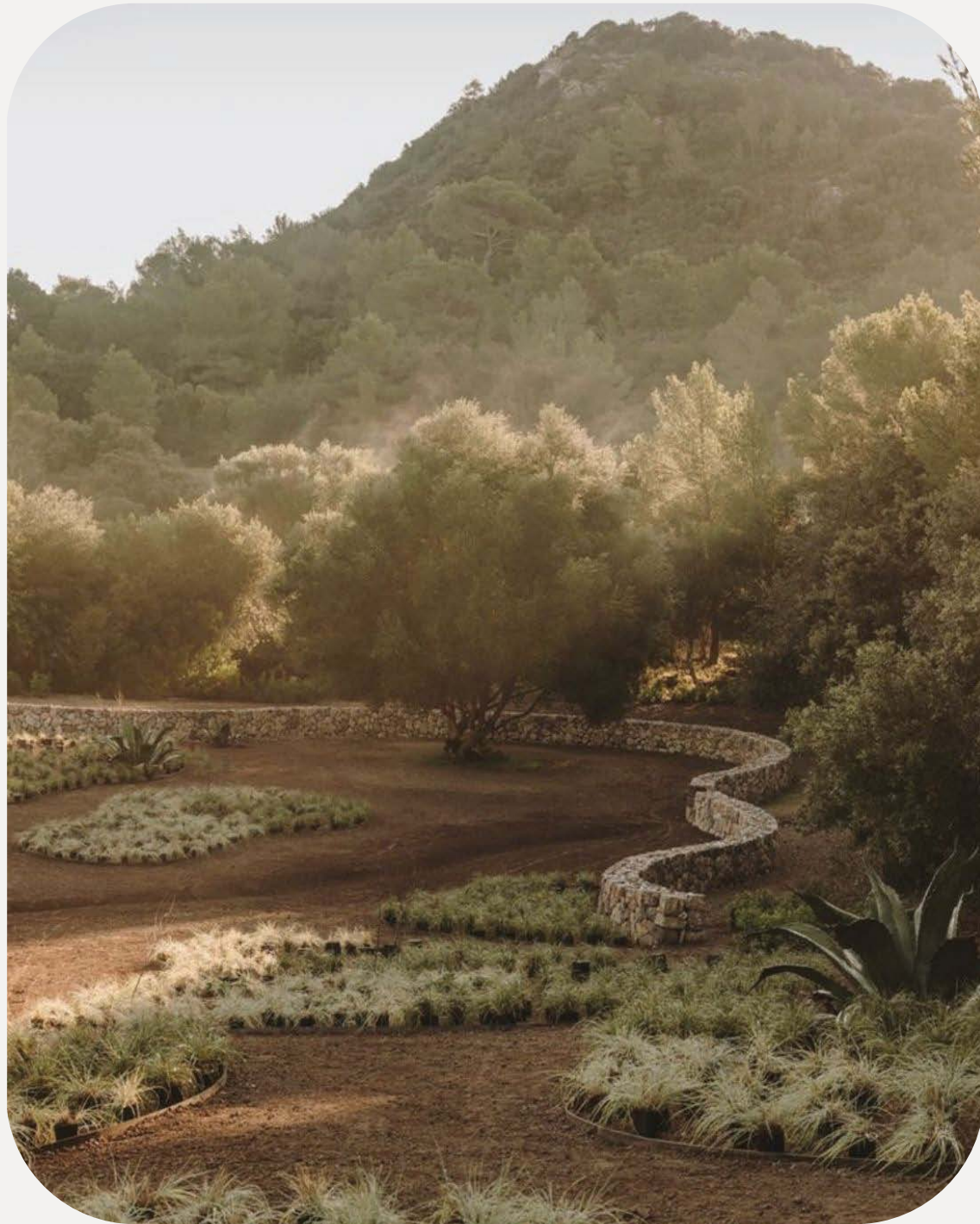
Ibiza's land is categorized into different types, with their own set of regulations that can influence your development plans. It's essential to fully understand the specific regulations and potential of each plot before making a decision.

Rustic Land - *Rustico*

1. Highly sought after due to its expansive views and natural beauty.
2. Obtaining building permits can involve significant paperwork and delays. While some licenses are processed quickly, others may take several years to secure.
3. Development is limited to agricultural or low-density residential projects.
4. Can offer more privacy but comes with restrictions on construction size and location.
5. Rustic land may fall under ANEI, Forestal, or Costas classifications, each imposing strict limits on construction, licensing, and renovations. Consult your real estate advisor and lawyer with your plans before purchasing to ensure the property aligns with your objectives.

Urban Land - *Urbano*

1. Land within designated urban areas, generally closer to the island's main towns and amenities.
2. Building permits are more straightforward to obtain, usually within 2 years.
3. Typically smaller plots compared to rustic land, but offers easier access to services and infrastructure.
4. More expensive due to its proximity to established areas.



Did you know?

Ibizenco fincas were originally built by local farmers and laborers in the 17th and 18th centuries, serving as both homes and working farms. Constructed using local stone, clay, and wood, these properties feature thick stone walls for insulation, flat roofs for easy maintenance, and vaulted ceilings for ventilation. Fincas were typically located inland, away from the coastline, to avoid pirate attacks and benefit from fertile land for agriculture. Today, these rustic homes retain their charm, with spacious layouts and large plots of land, offering a unique blend of history, nature, and modern comfort.

CHAPTER 2

NAVIGATING PURCHASE COSTS

Buying a property in Ibiza is associated with various costs. It's important to let your broker know if the property budget you discussed includes these costs or not. Let's break down the costs and taxes so that you can avoid any surprises when looking for a property.



CHAPTER 2

KEY INFORMATION

1. Taxes and costs vary based on the property location and price, and can add up to between 10% to 14% of the property purchase price.
2. Ensure your Real Estate broker understands whether your budget includes all costs.
3. Buying a house privately or through a company entity (SL) in Spain has different yearly tax implications.

PURCHASE TAXES & COSTS

Transfer Tax - *ITP*

The Property Transfer Tax, or ITP, only applies to existing properties. It is what we call an accumulative tax, so the first €400,000 is charged at 8%, adjusting at each point until reaching 13% from €2,000,000 and above.

- Up to €400,000 8%
- €400,001 to €600,000: 9%
- €600,001 to €1,000,000: 10%
- €1,000,001 to €2,000,000: 12%
- Over €2,000,000: 13%

Value Added Tax - *IVA*

The VAT, or IVA in Spain, applies when the seller is a company (typically a developer or promoter) and the sale involves a first occupancy (brand new build), an ongoing project, or land. When IVA is applied, an additional Stamp Duty (AJD) is also payable upon registering the property in your name.

- Residential properties: 10% of the sale price
 - Land or commercial properties: 21%
 - Stamp Duty (AJD) is applied when IVA is due.
 - The rate is 1.5% for properties valued up to €2M, and 2% for properties above €2M.
- This is a flat rate based on the total value.

Other Costs

- Lawyer's Fee: Typically ranges from 1% to 1.5%
- Notary and Registration Fee: Both the notary and the registration fees depend on the property price and complexity of the transaction. They typically range from €800 to €9,000 + VAT

COST BREAKDOWN SCENARIOS

New Property Purchase valued at €5 million, subject to VAT		
Category	Rate	Total
IVA	10%	€500,000.00
AJD	1.50%	€75,000.00
Notary fee		€7,000.00
Lawyer fee	1.00%	€50,000.00
Total purchase costs		€632,000.00
Property Price		€5,000,000.00
Final purchase cost		€5,632,000.00

Second-Hand Property Purchase at €8M		
Category	Rate	Total
<i>ITP tax</i>	<i>from 8% to 13%</i>	<i>€990,000.00</i>
Notary fee		€9,000.00
Lawyer fee	1.00%	€80,000.00
Total purchase costs		€1,079,000.00
Property Price		€8,000,000.00
<i>Final purchase cost</i>		<i>€9,079,000.00</i>

FINAL COSTS

1

First Scenario

In the first case, the total purchase costs represent **12,64%** of the property value, amounting to **€5.632 million**.

2

Second Scenario

In the second case, the costs amount to **13,48%**, resulting in a total purchase cost of **€9.079 million**.

It's essential to understand how these costs are broken down and to clearly communicate with your broker whether your budget includes these additional expenses. This clarity ensures a smoother and more realistic property search from the very beginning.

Please note: These figures are estimates provided for informational purposes only. Actual costs may vary depending on the specifics of the transaction.

CHAPTER 3

UNDERSTANDING THE TAX SYSTEM

As a property owner in Ibiza, you will be subject to various taxes, whether you're a resident or a non-resident. These taxes are calculated based on the value of the property, income derived from it, and your overall wealth. This chapter provides an overview of the key taxes you should be aware of, including the IBI property tax, income taxes for residents and non-residents, and the wealth tax.



CHAPTER 3

KEY INFORMATION

1. **IBI is a property tax based on the cadastral value, and varies by location.**
2. **Non-residents must pay income tax on rental income or, alternatively, a symbolic tax on deemed rental income if the property is not rented.**
3. **IRNR/IRPF Income Tax applies to non-residents and residents, with different rates for rental income.**
4. **Wealth Tax applies when an individual owns real estate in the Balearic Islands valued over €3M. The threshold applies per person.**

TAXES WHEN PURCHASING PROPERTY

1

IBI Property Tax - (*Impuesto de Bienes Inmuebles*)

All property owners in Ibiza — whether residents or non-residents — are required to pay the IBI, a municipal property tax. The amount is calculated based on the cadastral value of the property, an official valuation set by the town hall that is significantly lower than market value.

Tax Rate: Typically ranges from 0.3% to 1.1% of the cadastral value.

Urban vs. Rural: The rate varies depending on whether the property is classified as urban or rural.

Set by Municipality: Each municipality on the island sets its own IBI rate, which applies uniformly to all properties within that area.

2

IRNR (Income Tax for Non-Residents)

Non-resident property owners are subject to the IRNR (*Impuesto sobre la Renta de No Residentes*) tax.

For Unrented Properties: If the property is not rented, a deemed rental income is assumed. This income is calculated as 1.1% of the cadastral value and taxed as follows:

- 19% for EU residents
- 24% for non-EU residents

For Rented Properties: If you rent your property, the actual rental income is taxed at the same rates as above, based on the income generated.

TAXES WHEN PURCHASING PROPERTY

3

IRPF Income Tax for Residents - *Impuesto sobre la Renta de las Personas Físicas*

Spanish residents are subject to IRPF, the national income tax, which applies progressive rates and includes various deductions. Due to its complexity, it should be managed by a qualified accountant.

4

Wealth Tax

The Wealth Tax (Impuesto sobre el Patrimonio) applies to all property owners in the Balearic Islands, with a tax-free allowance of €3,000,000 as of January 2024 — a significant increase from the previous threshold of €700,000.

- **Taxable Amount:** The tax is applied to the net value of your assets after deducting any mortgages or liabilities related to the property.
- **Tax Rate:** If your net wealth exceeds the €3,000,000 threshold, the wealth tax rate ranges from 0.2% to 3.5%, depending on the value of your assets.
- **Tax Planning:** With good planning, it is often possible to reduce or even avoid wealth tax exposure altogether.

5

Owning Property Through an SL (Sociedad Limitada)

Holding property through an SL, or limited liability company, changes how taxes are applied. Rental income and capital gains are taxed at the corporate rate of 25%, rather than through personal income tax. In addition, Wealth Tax is calculated on the company's total assets, not the individual's. The €3,000,000 exemption applies to the company's holdings, which can be beneficial in certain ownership and investment structures.

CHAPTER 4

SL VS PRIVATE OWNERSHIP

When buying property in Ibiza, you can purchase either as a *private individual* or through a *Spanish limited company (SL – Sociedad Limitada)*. Each route has its advantages and drawbacks, depending on how you intend to use the property.



CHAPTER 4

KEY INFORMATION

1. Properties in Ibiza are often owned under an SL (Sociedad Limitada) and may require you to purchase it as such.
2. Buying a company through an SL has tax implications that should be thoroughly reviewed by a lawyer.
3. Buying a house as an SL means you're also acquiring the company's legal and financial history, not just the asset.

WHAT'S THE DIFFERENCE?

If you buy as a private individual, the property is registered directly in your name. You can use it freely, and the process is straightforward. Buying an existing SL means the property is owned by the company. You own the shares in the company, but not the property directly. This adds a layer of legal and tax structure.

Feature	Private Purchase	Purchase via SL
Ownership	In your name	Owned by a company (you own the shares)
Use of Property	Free of tax for personal use	May be taxed if used personally
Rental Income Tax	19–24% (limited deductions)	25% (with deductible expenses)
Wealth Tax	Applies over €3M (non-residents)	Not applicable to company-held assets, the owner may be taxed personally
Capital Gains Tax	19–24%	25% corporate tax or capital gain tax applied on shares
Privacy	Your name appears in the registry	Company name appears
Setup & Admin Costs	Minimal	Higher (accountant, filings, etc.)

WHICH ONE IS BETTER?

Buying via an SL (Spanish company)

This option may be more suitable for individuals or investors who already own real estate assets in Spain or internationally through a company structure. It can offer strategic advantages but also adds more administrative responsibility and higher ongoing costs

What it means

You acquire 100% of the shares in a Spanish company (SL) that owns the property. You're buying the company, not the property itself.

Result

Only the ownership of the company changes, the property remains under the SL. You also take on any existing assets, staff contracts, or liabilities held by the company.

This option involves higher setup and annual admin costs, including legal and accounting obligations.

It offers more privacy and flexibility, especially for rentals, tax planning, or if you own multiple properties.

WHICH ONE IS BETTER?

Buying as a private individual

This is usually the best choice if the property is intended for personal use. It offers a simpler process, lower ongoing costs, and fewer reporting obligations.

This route is especially suitable for properties under €3 million, where wealth tax is not a concern.

What it means

You purchase the property directly under your own name.

Result

A simpler, more transparent process with lower upfront and ongoing costs, and fewer administrative obligations.

Ideal for personal use, while still allowing you to earn rental income if desired.

Your name appears in the land registry, offering less privacy — but this is the simpler path for most buyers.

CHAPTER 5

PREPARING FOR YOUR PROPERTY PURCHASE

Before starting your property search in Ibiza, it's important to take a few key steps to ensure a smooth buying process.

Securing legal and financial guidance early on, and getting your paperwork in order, will help you avoid delays and move confidently through each stage of the purchase.



CHAPTER 5

KEY INFORMATION

1. **A local real estate lawyer ensures the property complies with all regulations and guides you through the administrative process from start to finish.**
2. **Many steps, such as obtaining an NIE and opening a bank account, can be handled from your home country or through your lawyer.**
3. **Make sure to have a full overview of the mortgage options and associated costs before you begin. Financing options can delay the process, and in some cases, may be a dealbreaker for sellers who prefer to move quickly.**

PURCHASE PREPARATION

1

Hire a Local Real Estate Lawyer

2

Get Your Spanish ID

3

Open a Spanish Bank Account

4

Understand Your Financing Options



1

Work with a Local Real Estate Lawyer

Choose a lawyer who understands Ibiza's property laws and market specifics. They'll check for legal issues like debts or permit problems, review contracts, verify ownership, and ensure the property meets all regulations—protecting you at every step of the process.

2

Get Your Spanish Identification Number (NIE)

Before you can buy property in Spain, you must obtain an NIE (Número de Identificación de Extranjero). This is a legal requirement for all foreign buyers and is needed for taxes and official paperwork. Your lawyer can assist with the process, which is typically handled through the local police station or a Spanish consulate in your home country.

3

Open a Spanish Bank Account

A Spanish bank account is essential for handling payments like taxes, utilities, and notary fees. It simplifies money transfers and ensures smoother, faster transactions during the buying process. Many banks offer services tailored to property buyers, helping you handle local finances efficiently.

4

Understand Your Financing Options

If you're using a mortgage, review all your options early. Spanish banks offer different rates, terms, and fees, so getting pre-approved or consulting a financial advisor will help you budget smartly and avoid delays later on.

CHAPTER 6

PROPERTY PURCHASING PROCESS

When buying a property in Ibiza, understanding the typical purchase process is crucial. This process involves several steps to ensure a smooth and legally sound transaction. Below, we outline the key stages, from property selection to final registration, to help you navigate your property purchase with confidence.



CHAPTER 6

KEY INFORMATION

1. The typical purchasing process can take anywhere from 45 days to several months, depending on the complexity of the transaction.
2. The Private Contract (Contrato de Arras) provides time to study the property and finalize financing options.
3. Due diligence can be done by a local lawyer before or after the deposit contract is signed, ensuring the property is free from legal encumbrances.

PROPERTY PURCHASE STEPS

1

Property Selection and Reservation

2

Legal Due Diligence

3

Private Contract - *Contrato de Arras*

4

Finalization at the Notary

5

Registration of Ownership



1

Property Selection and Reservation

Once you've identified the right property, a reservation agreement can be negotiated to temporarily take it off the market or secure it. This typically includes a small reservation fee, which is deducted from the final purchase price.

2

Legal Due Diligence

Thorough due diligence is essential when buying property in Ibiza. For resale homes, this includes verifying licenses, checking for unauthorized renovations, and ensuring the property is free of debts or legal issues. Hiring a lawyer familiar with Balearic property law is strongly recommended.

3

Private Purchase Contract - *Contrato de Arras*

This preliminary agreement outlines the terms of the sale and includes a deposit—usually 10% of the purchase price. Once signed, the seller is legally bound to complete the sale. If the seller pulls out, they must return double the deposit. If the buyer withdraws, the 10% deposit is lost.

4

Finalization at the Notary

The remaining balance is paid, and the title deed (escritura) is signed in front of a Spanish notary. At this point, ownership is officially transferred to the buyer.

5

Registration of Ownership

After signing, the property must be registered in the buyer's name at the Land Registry (Registro de la Propiedad). This final step formalizes your legal ownership and protects your rights under Spanish law.

CHAPTER 7

TURNING YOUR VILLA INTO A PROFITABLE INVESTMENT



CHAPTER 7

KEY INFORMATION

1. The rental season runs from late April to mid-October, with peak prices in July and August.
2. Rental licenses offer more flexibility for short-term rentals (up to 1 month) but must be renewed every five years, with older licenses that may be exempt from renewal.
3. Rental agencies will help you promote your villas, do check-ins, and care for your guests.
4. The agency fee usually ranges from 10% to 20%

THE RENTAL MARKET IN IBIZA

Ibiza is a magnet for luxury tourism, attracting visitors mainly from the UK, Germany, France, Spain, and increasingly the U.S. and Middle East. Most seek high-end villas with privacy, views, and easy access to beaches, restaurants, or countryside escapes.

The rental season stretches from late April to mid-October, with July and August bringing the highest demand and prices. Off-peak months like May or October still offer good returns, especially for well-maintained or well-located properties.

Weekly rental prices range widely — from €10,000 for smaller villas to over €100,000 for premium estates.



OPERATIONAL COSTS WHEN RENTING

1

Agency Fees

Most owners work with a rental agency to handle marketing, bookings, check-ins, and guest support. Expect to pay between 10% and 20% of your rental income, depending on the level of service.

2

Energy & Utilities

Summer running costs can be high due to AC, pools, and appliances. A water well or solar panels can greatly reduce expenses and are worth considering when choosing a property.

3

Property Management

Hiring a property manager ensures your home stays guest-ready year-round. Fees typically range from €300 to €800/month, depending on the property and services required.

RENTAL LICENSE

To rent short-term (under one month), ***your property must have a valid rental license*** (ETV or ETV365). The original ETV license is indefinite, while the newer ETV365 requires renewal every five years.

As of July 2024, new license applications in Ibiza are paused in many areas. This may change, so it's important to check current regulations before making rental plans.

CHAPTER 8

CONCLUSION AND EXPERT GUIDANCE

Investing in Ibiza real estate is more than a financial decision — it's an entry into one of the most exclusive lifestyles in the world. But behind the island's allure lies a complex landscape of legal, fiscal, and regulatory nuances that demand expertise. With the right team of real estate professionals, legal experts, and financial advisors, you can navigate the process with clarity and confidence. Whether you're seeking a private family villa, a high-return rental property, or a secluded holiday retreat, success depends on structured guidance and strategic planning.

At Frank Martin Private Estate Search, we specialise in turning ambition into ownership — discreetly, efficiently, and with unmatched local insight. Let us help you secure a property that not only meets your expectations but exceeds them. Contact us today to take the first step toward your dream property in Ibiza.

[tap here to get in touch](#)

Own *more than a Home*— Own the *Ibiza Lifestyle*

Ibiza is more than a destination—it's a way of life. With its vibrant energy, rich culture, and strong sense of community, the island offers an unparalleled living experience.

Our deep-rooted connection to Ibiza drives our passion for helping you find more than just a property—we guide you toward a home that embodies the island's unique spirit.

Whether you're looking for a serene getaway, a dynamic investment, or a place to call home, we're here to ensure your journey in Ibiza is as seamless and inspiring as the island itself.



Bespoke Real Estate, *Redefined*

At Frank Martin Private Estate Search, we specialize in luxury property sales and rentals in Ibiza, offering a discreet, client-focused approach tailored to your unique needs. Our mission is to simplify and elevate your real estate experience, providing expert guidance at every stage of the process.

With over a decade of experience on the island, ***we offer unmatched local expertise and a trusted network***, ensuring informed investment decisions. Our Swiss roots and hospitality background bring a standard of precision, efficiency, and service excellence that sets us apart in Ibiza's dynamic property market.

We value our clients' privacy and understand the importance of discretion. This commitment grants us ***exclusive access to off-market properties*** that are not publicly listed, offering you a world of exceptional opportunities.

Utilizing the latest technology, we streamline property searches, enhance communication, and ensure smooth transactions. Additionally, our ***extensive network of professionals***—including top local lawyers, notaries, and architects—ensures every detail is handled with care and expertise.

Whether you're searching for a private retreat, developing a bespoke property, or making a strategic investment, we are committed to helping you ***navigate the Ibiza real estate market with confidence and ease.***



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