

HOW TO BUY IN GERMANY



JOHN TAYLOR

LUXURY REAL ESTATE SINCE 1864

JUNE. 2017

We navigate our clients through the market to find, purchase and enjoy a perfect property in Berlin.

What is the process from accepted offer to owning a property in Germany?

The process of buying property in Germany involves the following:

Make an offer via your agent (Makler), who will convey your bid either through the seller's agent or to the seller directly. You may find yourself competing in a quasi-auction with your Makler, who will handle rival bids from other prospective buyers.

- When the seller accepts your offer, ask your Notary to draw up the contract. It would be a good idea to hire the services of an English-speaking Notary.

A contract must show

Correct names and addresses of the parties and details of the property. An error, especially in the property details, could at least partially invalidate the contract.

The agreed upon purchase price and terms and conditions of payment.

Stipulations as to what happens in the event either party fails to live up to the terms of the contract.

The parties can freely decide on payment terms. The buyer is advised to check the property for any major defects because the notary is not responsible for this. The seller is required to disclose any hidden defects, but is not obliged to point out any defects that should have been obvious to the buyer. The Notar is responsible for the legal work and contract obligations, and checks that no liabilities exist.

In most cases, the financing needs to be secured by the buyer and you must be ready to present a so-called irrevocable acceptance of loan financing by a good bank before signing of contract; or if you have the cash deposit, to bring proof of the existing funds. The seller usually agrees to a priority notice in the land register. This priority notice protects the buyer from other, unexpected sales activities, such as trying to sell the property to other buyers for a better price, by the seller.

Both parties agree on the notary public date of signing the contract. It is strongly advised that you review the contract carefully and have it translated if necessary.

At the actual signing ceremony, the Notar reads the contract aloud in German for both parties. If you are non-German speaking, it is advisable to bring a qualified translator.

You can at anytime interrupt the proceedings if a clause is not completely understood.

It is customary to pay the purchase price into an account maintained by the notary (Notaranderkonto). The money is transferred to the seller only when the land registry entry is complete. The real estate agent's or broker's commission is owed with notarization, the notary and registration fees are owed with completion of registry.

The purchase tax or stamp duty needs to be paid within four weeks after the contract was signed.

The Notar then makes the application in the so-called Grundbuch – the land title register. The land register is found at the district courthouse, and is the central document for a piece of property. A change in ownership occurs only when an entry has been made in this land register, previous mortgages have been cleared, and the tax office has certified that the seller has no property taxes outstanding.

It takes an average of 95 days to complete all the four procedures needed to register a property in Germany on a buyers name.

Real Estate Transfer Tax (Grunderwerbsteuer)

Real estate transfer tax is at 6% in Berlin. Real estate transfer tax is due about four weeks after the notary deed has been signed by buyer and seller.

Notary Fees

Notary fees are fixed by law and depend on the kind of agreement and the value of the property. Notary fees usually range from 1.2% to 1.5% of the purchase price. German law requires that sale and purchase agreements be notarized.

Registration Fees

The buyer must pay registration fee to have his name entered in the local land registry (Grundbuch) as the legal owner. Registration fee is fixed by law, depending on the value of the property.

Real Estate Agent's Fee

Agent's fee in Berlin ranges from 4.5% to 6%, plus 19% VAT. The actual value is negotiable and depending on the agreement negotiated between parties, whether broker's fee will be paid either by the buyer or the seller, or split between the two.

Value Added Tax (VAT)

Value Added Tax (VAT) is levied at a flat rate of 19%.

Buying a new development off plan

If you are buying a new development, according to the German law, you will receive up to seven invoices from the developer based on construction status.

The payments are stipulated in the final purchase contract.

On average the payments look like this:

- 30% upon breaking ground
- 28% after the preliminary building frame construction is completed
- 12.6% after completion of roofs and gutters and after the windows are installed
- 10.5% after completion of heating installation, sanitary installation, electrical installation, interior plastering
- 4.2% after completion of facade works and screed
- 11.2% after completion of pipe works in the sanitation areas and step by step handover of the property
- 3.5% after total completion (including outdoor facilities)

Protection when buying a property off plan

The MABV regulation (The real estate and developers regulation) protects consumers when buying in a new development. This regulation only allows developers to request installments upon completion of the actual work. You pay once the work has been completed. The exception is the first installment of 30% payable on breaking ground.

Taxation in Germany

Before purchasing, we advise you to discuss taxation with your legal representative.

Income tax

If you rent out your property in Germany, you will need to consider „income tax“ as the rent is considered „income“. Income tax (for a person) ranges between 15%-42% and is progressive. If a corporation owns the property, a tax of 15% is applied. You will therefore need to do an annual tax return (average cost of EUR 300 p.a.).

Capital gain

If the property is held for more than 10 years, the client (if purchased by a person and not a corporation) is exempt from paying capital gain tax.

Property tax

This is due on a quarterly basis (or can be paid fully in advance at the beginning of each year) and ranges depending on the property, the location and the size. It is a very low amount and can be included in the rent for up to 100%.

Inheritance tax may also apply and should be discussed in detail with your legal representative.



JOHN TAYLOR

LUXURY REAL ESTATE SINCE 1864

THE GREATEST TRANSACTIONS
ALWAYS BEAR THE SAME SIGNATURE



JOHN TAYLOR BERLIN
Goethestr. 80
D-10623 Berlin
+49 303 1014 480
berlin@john-taylor.com