

SPANISH PROPERTY TAX INFORMATION

*The information provided herein is intended as a guide only. While **Property Tax International** Limited makes every effort to ensure the accuracy of the information we take no responsibility or liability for any inaccurate, delayed or incomplete information, nor for any actions taken in reliance thereon.*

Under current legislation, non-resident individuals are taxed in Spain on income arising from Spanish sources only and are liable to a number of other property related taxes outlined below.

Individuals living more than 183 days in Spain in a given tax year (1 Jan – 31 Dec) are considered as residents for tax purposes, even if they have not obtained a Spanish residence permit. Non-residents may also be liable for tax on the same source of income in their home country of residence, where taxes are levied on worldwide income. Relief for double taxation may apply.

Taxes payable when purchasing a property in Spain:

Spanish Transfer fees are payable on purchases and depend on the region where the property is located but generally range between 6%-7% of the title deed price. Stamp Duty tax is payable @ rates ranging from 0.5% - 1.1% of the title deeds price for second-hand properties.

Spanish VAT (IVA) @ 7% is payable on the title deed price of the property if it is been sold for the first time and the seller is a property developer.

For second-hand properties, VAT is not applicable but Transfer Fees will apply.

Ongoing property taxes payable in Spain are as follows:

Spanish Rental Income Tax rules changed with effect on January 1st 2010. Prior to 2010 income tax was payable at 24% of gross income with no deductions permitted for expenses. The 2010 changes make it possible for EU residents to deduct expenses against rental income provided such expenses are directly related to the rental income generated from the Spanish property. Spanish rental income must be declared and paid one month after the rent is received. Quarter returns are also allowed. There is no annual balancing tax return to be filed.

Tax on **Deemed Rental Income** is payable on urban property that is not let. This is calculated @ 2% of the property's rateable value that has not been evaluated since January 1994; otherwise rate is calculated at 1.1%. You must pay 24% tax on deemed rents. Deemed rental income returns also have to be filed by 30th June.

Spanish Wealth Tax is a direct tax levied on your net assets located in Spain as at 31st December each year with rates varying between 0.2% - 2.5%. It must be filed between 1st May & 20th June and is dependent on the type of property and is based on the higher of

- The purchase price;
- The assessed value set by the Tax Authorities; or
- The rateable value

NB: Wealth tax was abolished in January 2009 effective for year 2008.

Spanish Local Property Taxes (rates) are based on the rate able value of the property and generally vary between 0.4% - 1.1%. Rates depend on whether the property is urban or rural and varies per region. They are generally due from September to November each year. An annual local tax on mains drainage & refuse collection is also payable.

Other applicable taxes are as follows:

Spanish Capital Gains Tax (CGT) on the sale of property is charged @ 19% of the gain effectively since Jan 2010 (18% for period 2007-2009). The purchaser must withhold a Public Treasury tax @ 3% of the purchase price and pay it to the Tax Authorities within a month of transfer. A Spanish CGT tax return should be filed within 3 months of the withholding tax paid.

Spanish Inheritance Tax (IHT) is payable depending on a number of factors: the inherited amount, the relationship between the parties involved and the level of current wealth before receiving the inheritance. Spanish IHT rates vary from 7.65% - 34%.

Spanish Property Tax Calculator: Check out our new Hungarian Property Tax Calculator providing a generic overview of the taxes payable when purchasing and the ongoing taxes when renting the property.

Worldwide income

Rental income received in Spain will first have to be declared before the **Spanish tax** authorities. You may be liable to declare this income within your resident tax return.

If resident in the UK or Ireland you will have to declare any income received in Spain in your annual resident tax return. There is a double taxation agreement between Spain, Ireland and the UK. Double taxation relief applies in certain cases. Please contact us for further details regarding double taxation relief and/or filing your Resident Tax Return.

CONTACT: Property Tax International can organise the completion and filing of all necessary Spanish tax returns in addition to advising on your property tax obligations in your home country:

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