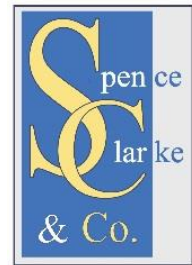


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NON RESIDENTS OWNING PROPERTY IN SPAIN

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As the property market seems to have pretty much recovered from the last depression, I thought I would review the current obligations and put out whatever changes have taken place, well it would seem that not many changes have, in fact, taken place during the last few years. Even so it never hurts to be reminded about the obligations that Non Residents have if they own Spanish property.

So, in an attempt to keep you fully conversant with your obligations and to help ensure your Spanish dream home does not turn into a tax nightmare, please take note of the following:

Taxes on purchase:

If you buy a new build from a developer, VAT at 10% and stamp duty from 1% - 1.5% depending on where you buy in Spain.

If you buy from an existing owner, ie a secondhand property, 7% - 10% transfer tax is payable, again depending on where you buy in Spain.

The costs of purchase are also subject to the payment of Notary fees, Land Registry fees and Professional fees. If a mortgage is put in place, then the same professional, registry etc fees are payable plus bank set up charges, all of which will typically equate to total costs of some 2,5%-3.5% of the mortgage loan.

Ongoing Tax liabilities:

So now you own your Spanish Dream, wasn't too painful, hopefully, but it could be if you don't take account of the following:

Tax on a theoretical rental value of the second home applies to foreigners as well as Spanish residents. This value is calculated on the Cadastral value of the property. EU residents pay a lesser percentage than non EU residents.

Tax on actual rental received. EU residents pay 19% on rent received and are allowed certain deductions. Non EU residents pay tax at 24% on the gross rents received, ie no deductions are allowed.

Non residents are also subject to Wealth tax on the value of their Spanish assets, with each title holder having a 700,000 Euros exemption on net wealth.

Municipal Taxes:

Impuesto sobre Bienes (IBI) is an annual municipal tax, similar to property rates in the UK. Charges are also made by the municipality for rubbish collection. If these taxes are not paid by the due dates pretty hefty fines are levied and do remember, please, that demands are not always received in time at the property address. The best thing to do is to arrange for these municipal taxes to be paid by direct debit through your Spanish bank.

Non Resident owners are also subject to **Inheritance tax and Capital Gains tax**. For more on these please go to the relevant article.

As one would expect, these taxes are subject to change so for current up to the minute analysis of your obligations, please contact: claudia@spenceclarke.com