

## SPANISH PROPERTY TAX INFORMATION

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 Stamp Duty above applies.

### **Ongoing property taxes payable in Spain are as follows:**

**Spanish Rental Income Tax** is payable at 24% of gross income with no deductions permitted for expenses. It must be filed by 31st December annually if you own 1 property. If more than one property is owned, income must be declared and paid one month after the rent is received.

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 25% tax on deemed rents. Deemed rental income returns also have to be filed by 31st December.

**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 0.5% - 2.5%. It must be filed between 1st May & 20th June ie depends 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

**Spanish Local Property Taxes** (rates) are based on the rateable 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 @ 18% of the gain. 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% - 34%.

**Worldwide income**

If you are an Irish resident you are obliged to declare and file your Spanish income in Ireland. There is a double taxation agreement between Spain and Ireland so double taxation relief applies in some cases. Please contact us for further details regarding double taxation relief and/or filing your Irish Tax Return.