

Numerological's guide to the Top 5 Spanish Taxes

There are 5 key taxes most applicable to non-resident property owners.



Income Tax

Every non-resident owner of a Spanish property has to pay an annual tax to account for their "share" of the property. Although it's called an "income tax" it's not actually based on your level of income, but on a "deemed" or "notional" income, which is a percentage of the rate-able value of the property multiplied by the non-resident tax rate of 24%.

This tax is based on the calendar year and is always due within 12 months of the end of the tax year, so for the 2009 tax year, tax needs to be paid by the 31st December 2010.



Property or IBI Tax

Property rates in Spain is referred to as IBI and, like the UK, this tax will be levied by your local council in Spain. The council will assign a rate-able value to your property and then your rates or property tax will be a % of this amount. The % will depend on your council, but in most cases it will be somewhere between 0.5% and 1%. So if you had a rate-able value of €50,000 and your local percentage was 0.75%, then your annual rates bill would be €375.

This tax is also based on the calendar year but will normally be payable between June and September each year, again this will be dependent on your local council.



Rental Income Tax

Up until the end of 2009, rental income tax was 24% of the gross income you received on any rentals. So if you generated €1000 by renting out your property for 2 weeks, then you would have to pay €240 in tax. You could not offset any expenses - i.e. cleaning, utilities, insurance, mortgage interest, marketing, management fees etc. However, from the 1st January 2010, the rules have now changed, which means that you can now offset expenditure when calculating what income, or effectively profit, will be subject to tax.

In theory rental income tax returns need to be submitted each quarter, to account for income received in the preceding 3 months.



Capital Gains Tax

When a non-resident owner sells their property, they will make a capital gain or a loss upon the sale, which is the difference between what they paid for the property and the proceeds of the sale. The buyer of the property should always withhold 3% of the sales value and pay this to the Spanish tax office as an "advance" of the buyer's potential capital gains tax. It is then up to the buyer to calculate their gain or loss, and if a gain has been made this will be subject to 19% tax.

The buyer should pay the 3% within 1 month of the sale date, and the seller then has a further 1 month in order to submit their calculation of a gain or loss and the corresponding tax returns.



Inheritance Tax

Inheritance tax for non-residents is a tax on the beneficiaries and not on the deceased as it is in the UK. The tax rates themselves can vary depending on the relationship of the beneficiaries to the deceased, the amount that is being gifted, their age, and even their wealth in Spain, and in the very worst situation tax rates can reach levels of 81%! The other major issue for UK people is that transfers between husband and wife in Spain are not tax exempt as they are in the UK, so if a spouse were to die, then the surviving spouse, in most cases, will need to pay inheritance tax (as well as probate) in order to take on the additional 50% share of the property.

It will normally take approximately 6 months to deal with the probate issues in Spain and pay any outstanding inheritance tax, before the property deeds can then be altered.

If you're a non-resident and have queries about paying your tax in Spain or want to find out more about our services then contact us on **0845 658 6338 or email us info@numerological.co.uk**