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ABOLITION OF INHERITANCE TAX



The regional government of President Juan Manuel Moreno Bonilla in Andalucía has approved the announced reduction of 99% in inheritance and gift tax in Andalucía in line with what is in existence in Madrid and other regions of Spain. The coalition government formed earlier this year by the Partido Popular and Ciudadanos with the support for the formation of government of Vox, had agreed to abolish these taxes in Spain's second largest region.

This important tax change, which came into effect with the publication of the Decree of the Regional Government in Andalucía's official gazette (BOJA) on 11 April, has far-reaching effects for residents of this region of Spain and also for non-residents with assets in any of the eight provinces of Andalucía, equating its approach to these taxes to that in existence in other regions of Spain such as Madrid, where for years now, inheritance and gift tax is no longer a concern.

Madrid has become one of the most attractive regions of Spain from a tax point of view, the decision of the regional government in that region was not only limited to inheritance and gift tax, but also to wealth tax, a heavily criticised tax, that is considered a sort of double taxation, as the tax payer is effectively taxed on net wealth which has already been subject to tax.

In Andalucía, however, the decision for now is limited to applying the same regime as Madrid and other regions of Spain for inheritance and gift tax. These will not be fully abolished but the tax

payable in Groups I and II of kinship (spouses, children, grandchildren and parents) will effectively be reduced for inheritance and gift tax by 99%, leaving a symbolic 1% as a sort of control tax. In Andalucía, since the approval of Law 5/2017, there are some exemptions in inheritance tax for Groups I and II which will remain in place.

Inheritance tax is very much a concern when non-residents of Spain consider moving to Spain on a permanent basis or purchasing a property in Spain.

This change in inheritance and gift tax makes Andalucía a much more attractive destination when considering where to move to permanently or where to invest.

The regional government of Andalucía should seriously consider extending these changes in taxation to wealth tax in order to compete with its neighbouring Portugal or Madrid. A foreign investor considering where to move to permanently has two main drawbacks when considering certain regions of Spain, inheritance tax and wealth tax, it seems now that the first will no longer be an obstacle in Andalucía, but the latter although exempt for family businesses, remains a barrier. People considering Spain do not understand how they can be expected to pay wealth tax on their worldwide wealth when becoming a resident of Andalucía. This is playing very much in favour of Madrid as a destination for foreign direct investment.

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