

## REAL ESTATE RELATED TAXES

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Taxes associated with  
purchasing/ holding/ sale  
of real estate property  
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## IVA TAX

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The IVA tax (equivalent to British VAT) is applicable to the purchase of newly built properties and urban plots which are immediately available for building on.

- For new built properties sold by the original founding developer the tax rate is currently 10% of the property purchase value
- For urban plots which are immediately available for construction, the tax rate is 21% of the land purchase value IVA. Taxes must be paid on each payment instalment made towards the property purchase.

For new property only, there is also a stamp duty tax rate of 1.5% of the purchase price. Due to the pandemic Covid-19, the Junta de Andalucía has approved a new rate, until the end of 2021, which is 1,2% of the purchase price.

## PROPERTY TRANSFER TAX

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In cases where IVA tax is not applicable on purchasing property, for example resale property or new build property purchased from a non-founding developer, then a transfer tax (ITP) is applicable instead. The table below gives the transfer tax rates for the region of Andalusia which differ slightly from the rest of Spain. The rate of transfer tax is applied to the purchase price of the property.

- Up to 400,000 € the ITP is 8%
- Between 400,000 -700,000 € the ITP is 9%
- Above 700,000 € the ITP is 10%

Nevertheless, due to the pandemic Covid-19, the Junta de Andalucía has approved a new rate, until the end of 2021, which is 7% independently of the purchase price.

## IBI TAX

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The IBI is a local tax on the ownership of property in Spain, irrespective of whether the owner is a resident or not. It is paid annually, and your lawyer can ensure this payment is made by direct debit from your Spanish bank account to avoid any fines associated with late or non- payment.

Because this is a municipality tax the rate varies by region, but the typical tax rate is between 0.4% and 1,1% of the cadastral property value. The cadastral property value is lower, sometimes significantly lower than the actual property value.

## INCOME TAX

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The Spanish authorities are only interested in the amount earned by non-residents through their activities in Spain. They are not interested in a non-resident's global income.

Any person who owns a property in Spain but is not resident is advised to designate a "fiscal representative" who will carry out all the procedures necessary before the tax authorities. Most lawyers will arrange this facility for their clients.

Non-residents who own properties in Spain have to pay an annual income tax that varies depending on whether they rent out their property or not.

**(For Property Not Rented Out):** If the property is for private use only under Spanish law non-resident owners still have to pay an income tax that equates to around 0.5% of the cadastral property value.

**(For Property Rented Out):** However, if nonresidents choose to rent out their property, they are obliged under Spanish law to pay a single tax rate as described below:

A) Nonresidents in Spain, but residents in another EU member state are assessed at a tax rate of 19% on the net rental income, after deducting related expenses.

B) Nonresidents in Spain who are also non-EU member state residents are assessed at a tax rate of 24% on the gross rental income only.

## WEALTH TAX

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Wealth tax has been re-introduced as a tax payable by non-residents but applies only if an individual owns in excess of 700,000 euros worth of assets in Spain. If you are a non-resident property owner that might qualify for paying wealth tax you are strongly advised to consult with your lawyer or tax specialist.

## CAPITAL GAIN TAX

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Capital gains tax is applicable on the positive difference between the original purchase price of a property and the final selling price of the property. This tax applies to the seller and is levied at 19% to non-residents in Spain but residents in another EU member state.

The purchaser of a property from a nonresident is obliged under Spanish law to withhold 3% of the agreed purchase price value, and then pay this sum of money to the tax authorities on account of any liability by the vendors. It is the sole responsibility of the purchaser to pay this money to the tax authorities within 30 days of the date of sale completion. It is common for the purchaser to instruct a third-party professional such as a lawyer to perform this duty on his or her behalf.

The vendor has three months from the date of sale completion to submit his tax return to the Agencia Tributaria (Spanish tax authorities) and resolve if applicable any outstanding positive or negative balance related to this tax.

However, there are factors that can be taken into consideration to reduce the tax liability such as the costs incurred with the original purchase, the selling costs and the time elapsed between the initial purchase and the new sale etc. your lawyer will advise you in this area.

## PLUSVALIA TAX

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This is a local municipal tax charged by the town hall on properties when they are sold. It is calculated on the cadastral value of the property and also the number of years that have passed since the property last changed hands.

The objective is to tax the increase in the value of the land on which the property stands, some of which is due to improvements to the local infrastructure and area carried out by the municipal authorities.

The amount due will likely depend on how long the vendor has owned the property - The longer the period, the higher the amount of tax payable.

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