
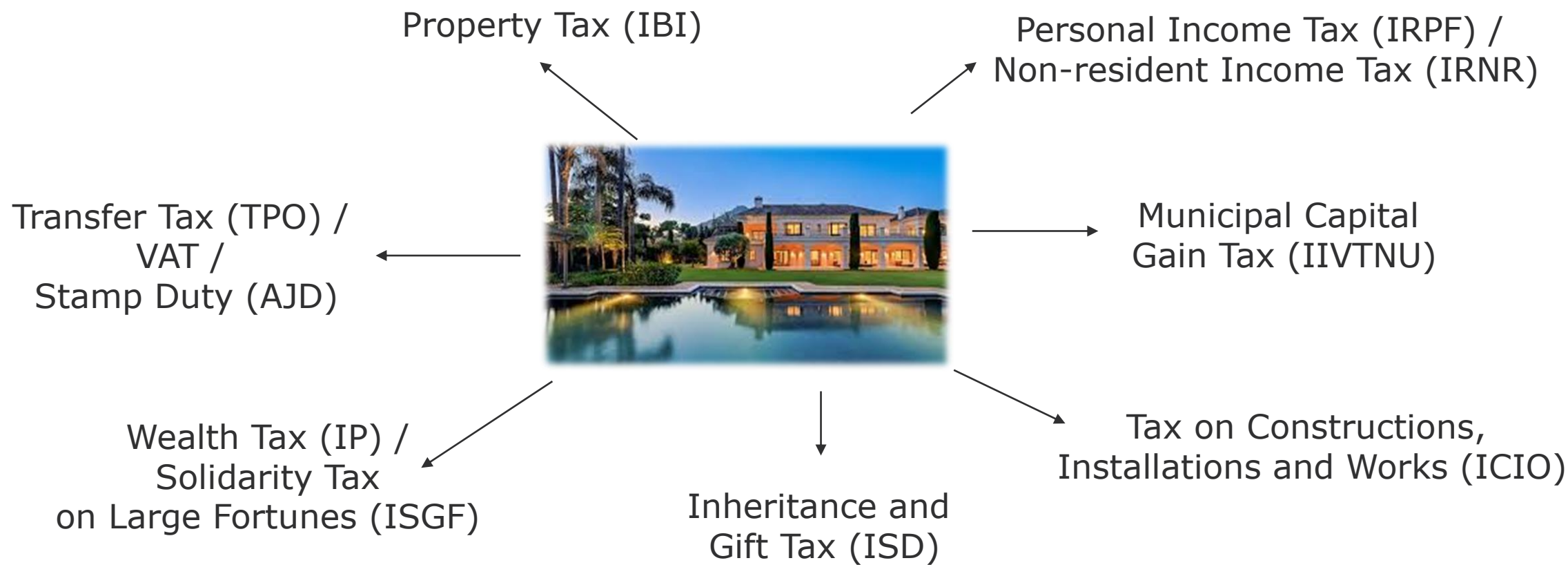


Spanish Property Taxes

A guide for owners, buyers and sellers

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- Spain has a comprehensive tax system that impacts on property ownership, acquisition and transfer.
 - Understanding these taxes is crucial for individuals and entities dealing with real estate in Spain.
 - This presentation will provide an overview of the key taxes involved.





1. Taxes for Property Owners (Ongoing)

A. Property Tax (Impuesto sobre Bienes Inmuebles - IBI):

- A local tax levied annually by each municipality.
- Calculated based on the cadastral value ("*valor catastral*") of the property.
- Tax rates vary significantly depending on the municipality and the type of property (urban, rural, special characteristics).
- Liability falls on the owner of the property as of January 1st each year.



1. Taxes for Property Owners (Ongoing)

B. Personal Income Tax, for Spanish Residents (Impuesto sobre la Renta de las Personas Físicas - IRPF):

- Imputed income: if the property is not the owner's main residence and is not rented out, an imputed income (typically 1.1% or 2% of the cadastral value) is taxed annually as part of the owner's income tax base.
- Income from rental: income generated from renting out the property is subject to Income Tax, with deductions and reductions allowed depending the rental and for certain expenses.



1. Taxes for Property Owners (Ongoing)

C. Non-Resident Income Tax (Impuesto sobre la Renta de No Residentes - IRNR):

- Imputed income: Non-resident owners of Spanish property (not their main residence and not rented out) are subject to IRNR on an imputed income (similar calculation to previous IRPF).
- Income from rental: rental income earned by non-residents is also subject to IRNR, with specific rules for deductions and tax rates.



1. Taxes for Property Owners (Ongoing)

D. Wealth Tax (Impuesto sobre el Patrimonio - IP):

- A national tax on the net wealth of individuals, including real estate.
- Tax rates and thresholds vary by Autonomous Region (“Comunidades Autónomas”).
- Main residence of the tax payer is exempt until €300,000
- Many Autonomous Regions offer significant exemptions or reductions, like Andalusia or Madrid.



1. Taxes for Property Owners (Ongoing)

E. Solidarity Tax on Large Fortunes (Impuesto de Solidaridad de las Grandes Fortunas):

- A state-level tax levied on individuals with net wealth exceeding €3 million.
- Introduced temporarily but has been extended indefinitely.
- Calculated on the total net wealth of the individual (worldwide assets for residents, Spanish assets for non-residents).
- Tax rates are progressive, ranging from 1.7% to 3.5% depending on the wealth bracket.
- This tax is complementary to Wealth Tax and the amount paid in Wealth Tax can be deducted to avoid double taxation.



1. Taxes for Property Owners (Ongoing)

F. Tax on constructions (Impuesto sobre Construcciones, Instalaciones y Obras - ICIO):

- A local tax levied by municipalities on the cost of any construction, installation or works that require a building permit.
- The tax rate is set by each municipality and is typically a percentage of the construction budget (usually around 2-4%).
- Generally falls on the owner of the property undertaking the construction, installation, or works.
- This can be relevant for buyers who plan renovations or new constructions, and potentially for sellers if they undertook recent works.



2. Taxes for Property Buyers (Acquisition)

A. Value Added Tax (Impuesto sobre el Valor Añadido – IVA):

- Applies to the transfer of newly built properties (first transfer after construction).
- General VAT rate is 21%, but a reduced rate of 10% typically applies to residential properties.
- The buyer is liable for this tax.



2. Taxes for Property Buyers (Acquisition)

B. Transfer Tax (Impuesto sobre Transmisiones Patrimoniales Onerosas - ITP):

- Applies to the transfer of second-hand properties.
- A regional tax, so rates vary significantly across Spain's autonomous regions (between 6% and 20% of the transaction value).
- The buyer is usually liable for this tax.



2. Taxes for Property Buyers (Acquisition)

C. Stamp Duty (Impuesto sobre Actos Jurídicos Documentados - AJD):

- Also a regional tax, levied on the formalization of certain public documents, including the title deed ("*escritura pública*") for both new and second-hand properties.
- Rates vary by autonomous region (typically between 0.5% and 1.5% of the transaction value).
- This tax is not compatible with Transfer Tax so it will only levy if the transaction is subject to VAT.
- The buyer is usually liable for this tax.



3. Taxes for Property Sellers (Transfer)

A. Income Tax, for Residents (IRPF):

- Capital gains obtained from the sale of property are subject to IRPF.
- Tax rates vary depending on the amount of the gain (following the savings income tax scale from 19 to 30%).
- Exemptions may apply in certain cases (e.g., sale of primary residence by individuals over 65 or reinvestment in a new primary residence).



3. Taxes for Property Sellers (Transfer)

B. Non-Resident Income Tax (IRNR):

- Capital gains from the sale of Spanish property by non-residents are subject to IRNR at a fixed rate (currently 19%).
- Withholding tax (currently 19% of the sale price) is usually applied by the buyer and paid to the tax authorities on behalf of the non-resident seller.



3. Taxes for Property Sellers (Transfer)

C. Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones - ISD):

- Applies to the transfer of property through inheritance or as a gift.
- A national tax, but its regulation and tax rates are largely determined by the autonomous regions, leading to significant variations across Spain.
- Important reductions or allowances in some regions, especially Madrid or Andalucia.
- The beneficiary (heir or donee) is liable for this tax.



3. Taxes for Property Sellers (Transfer)

D. Municipal Capital Gains Tax (Impuesto sobre el Incremento de Valor de los Terrenos de Naturaleza Urbana):

- A local tax levied on the increase in the value of urban land from the date of acquisition to the date of transfer.
- Calculated based on the cadastral value of the land and the number of years of ownership.
- The seller is liable for this tax.

4. Summarize

Tax	Tax Base	Tax Rate / Range
Property Tax	Cadastral Value	Varies significantly by municipality and property type.
Personal Income Tax - Imputed Income	Typically 1.1% or 2% of the Cadastral Value	Progressive income tax rates.
Personal Income Tax - Rental Income	Net rental income (income less deductible expenses)	Progressive income tax rates.
Non-Resident Income Tax - Imputed Income	Similar to IRPF imputed income calculation	Fixed rate (currently 19%).
Non-Resident Income Tax - Rental Income	Gross rental income (specific rules for deductions)	Fixed rate (currently 19%).
Wealth Tax	Net wealth of the individual: worldwide for residents, Spanish for non-residents	Progressive rates varying by Autonomous Region (typically 0.2% - 3.75% with regional variations and allowances).
Solidarity Tax on Large Fortunes	Net wealth exceeding €3 million	Progressive rates (state-level): 1.7% - 3.5%.

4. Summarize

Tax	Tax Base	Tax Rate / Range
Transfer Tax	Transaction value of the second-hand property	Varies significantly by Autonomous Region (typically 6% - 11%).
Value Added Tax (VAT)	Taxable base of the newly built property	General rate 21%; reduced rate (residential) 10%.
Stamp Duty (AJD)	Value of the transaction or the value of the documented legal act	Varies by Autonomous Region (typically 0.5% - 1.5%).
Municipal Capital Gains Tax	Increase in the value of urban land since acquisition	Determined by the cadastral value of the land and the number of years of ownership; rates and coefficients set by each municipality.
Personal Income Tax - Capital Gains (Sale)	Capital gain (sale price minus acquisition cost)	Progressive rates on savings income (19% - 30%)
Non-Resident Income Tax - Capital Gain (Sale)	Capital gain (sale price minus acquisition cost)	Fixed rate (currently 19%).
Inheritance and Gift Tax	Value of the inherited or gifted property/assets	Progressive rates and significant variations/reductions/exemptions depending on the Autonomous Region and the relationship of the beneficiary.
Tax on Constructions, installations and works	Actual cost of the construction, installation or works	Percentage set by each municipality (typically 2-4%).



5. Last considerations

- Cadastral value is a key reference value for several property taxes and is usually lower than the market value.
- However, the rules for the valuation of real estate were amended to add as a value to be taken into account the value "determined" by the Administration for the purposes of other taxes, which meant incorporating as a valuation criterion for real estate the **"reference value"**.
- This reference value is determined by the General Directorate of Cadastre, objectively and with the limit of the market value, based on the data in the Cadastre, as a result of the analysis of the prices reported by public notaries in real estate sales carried out.
- Autonomous Region: many property-related taxes (ITP, AJD, Wealth Tax, Inheritance and Gift Tax, and to some extent ICIO through local rates) are managed and regulated by Spain's autonomous regions, leading to significant differences in tax rates, allowances, and exemptions.
- Understanding the tax implications is crucial for effective property transactions, ownership, and development in Spain.
- Navigating the Spanish property tax system requires careful attention to various national and regional levies, including those related to construction and development.

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