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Financial Planning

SPANISH TAXATION – ARE YOU FILING AN ANNUAL RETURN ... IF AT ALL .. AND CORRECTLY?

The BIG issue of the moment in Spanish Personal Finance is that of Taxation.

The majority of people who either own a property in Spain and/or live here, are simply unaware of their obligations and, worse, are perhaps under a false pretence and are, hence, exposed to back taxes, fines and even taxes that they thought they were protected against!

So let's recap on the basics shall we?

- 1) If you own a property here you have to file an annual tax return, either as a tax Non Resident or a Resident.
- 2) If you spend more than 183 days in Spain in any one tax year, from 1st January to 31st December, you have to file a full tax return as a Resident. It's the law!
- 3) NOTE! Holding a Residencia Card does NOT mean you are either a tax Resident or even in the tax system at all! It is merely an ID document; period!

1) Property

As a Non Resident, where you spend less than that all-important 183 days here, you pay tax in two parts; a Wealth Tax and a Rental Income tax (both assessed at 0.2% of the value). For a house value of say €300,000 this annual tax bill would be €1,200. Not an insignificant sum!

As a Resident, where you are here for 183 days or more a tax year, neither taxes apply; you are simply taxed on your income, whatever form that may take.

The irony is that a good number of those property owners who file as Non Residents when, in fact, they should file a full tax return, could be better off if they did things correctly! Perhaps considerably so!

2) Full Tax Return

If you are here for 183 days or more in any given tax year, January to December, you are taxable on your worldwide income.

It matters not that you are being taxed, for example, in the UK; you **HAVE** to file a return in Spain, and you will get a credit for any tax that **HAS** to be taxed at source (Crown pensions).

3) Residencia Card

This is where the primary confusion, in my opinion, lies. That is because, until January 2008 anyway, this card 'seemed' to have entitled holders to certain tax breaks, including Capital Gains Tax on property sales and even a higher allowance for Inheritance Tax.

But this was simply because all entities (Notaries, who see most transactions of the names nature, and even Hacienda offices themselves) were interpreting the tax law incorrectly. Mistakes, and for many years I might add, were being made. But the law hasn't changed, simply the stricter interpretation.

There is a final and important point to be made now!

It is true to say that, historically, all things 'tax' in Spain was somewhat grey. Perhaps even your own advisor (Solicitor, Gestoria, Asesoria) has been fooled and lulled into a false sense of security on your behalf! No more! The Spanish Tax Authorities are tightening up in a way that has never been seen before!

Don't get caught by being apathetic to this! Check your status TODAY! Action now could save you thousands of unnecessary taxes and fines.

Mark Mountney, the proprietor of Rose Financial Planning, is a specialist mortgage brokerage and Independent Financial Advisor. He is a fully qualified mortgage and financial adviser in the UK with some 10 years experience in managing his own firm. Mark was also a founder of The Association of Mortgage Intermediaries, the trade association for mortgage advisors in the UK with 20,000 members. See www.rosefp.com or call 0034 677 874 948.