



ROSE
Financial Planning

Spanish Property – Important changes to Tax interpretation

Not changes to Tax Law, but to its interpretation!

In recent years, it has been accepted by all parties; solicitors, Notaries and even the Spanish Tax Authority, the Hacienda, itself, that the showing of a Residencia Card was all that was necessary to benefit from the numerous tax breaks that being deemed a 'Tax Resident' offers.

But that was always wrong; having a Residencia Card was never proof that you filed a full Tax Return in Spain.

Finally, the Hacienda has twigged that the correlation was a serious error and they have been missing millions and millions of tax revenue as a consequence. They have now issued an edict to all relevant parties, including the all-important Notaries and their own offices that, with immediate effect, the ONLY acceptable proof is a 'Tax Certificate'.

This document can only be obtained from your local Hacienda office, and can only be issued IF YOU HAVE FILED A FULL TAX RETURN!

There will be 000's of individuals here in Spain that have a Residencia Card that do NOT file that return. That means that you cannot obtain the Tax Certificate and hence, will be treated as a Non Resident.

There are 2 important examples that I would like to consider!

Firstly, Capital Gains Tax. As a Vendor, at Notary, instead of receiving 100% of the sale proceeds, the Non Resident 3% retention retained against the 18% potential tax bill, will be deducted. That could be 000's of Euros that you have not accounted for and could have avoided!

Secondly, Inheritance Tax. Tax Residents all over Spain receive reasonable allowances against IHT. Non Residents do not and, frankly, get hammered! On a death, if the same Tax Certificate cannot be produced, the penalty in being 'down graded' to a Non Resident is huge, and certainly a lot more than even the negative effect of having to pay CGT! To get this part of financial wrong could be disastrous for surviving spouses and end beneficiaries. It will undermine other steps that you may have taken to protect your estate, such as making a Will!

If you think that you ARE a 'Tax Resident' and have a Residencia Card, there is a simple test! Get a Tax Certificate NOW. Do not wait as you need to know that your tax affairs are straight and you are in the system.

This is a complex area so, if you are simply unsure as to what your obligations are and how to check your position, best call a professional adviser.

See www.rosefp.com or call 0034 677 874 948.