

BLEVINS  FRANKS

## The Blevins Franks Guide To Taxes In Spain



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# Introduction

Moving abroad is something that many Britons yearn to do, and Spain is a very popular destination for many of them.

## Yet how much do you know about the tax implications of moving to Spain?

This guide looks at many of the issues facing people moving from the UK to Spain, to raise awareness of things that may affect you. Depending on your circumstances, however, there are likely to be things that you can do to minimise the problems, and you may even find that you can reduce your tax liability by moving to Spain.

You should always take advice when looking to purchase property in and/or moving to any country, and in particular Spain, where many of the taxes sound the same but are calculated completely differently to similar taxes in the UK. There are even taxes which do not exist in the UK, such as wealth tax, the notional rental income tax and succession and gift tax between spouses. Even the healthcare position is different in Spain, compared to the UK. An adviser with a good understanding of both jurisdictions can help you understand the tax implications of your move and work out how to make your money work for you, protecting it against foreign taxes, and how to make the most of the opportunities available.

## A note on 2020 rules and rates

The contents of this tax guide were based on the Spanish tax laws and regulations as at April 2020. However, at the time of publication, the 2020 Spanish state general budget had not been approved by the new Spanish coalition government, and there has been no approved state budget since 2018.

As such, the 2018 budget remains applicable in Spain. The 2018 state income and wealth tax rates will therefore continue to apply until such time as a new budget is approved.

However, some regions – including *Islas Canarias*, *Cataluña*, *Andalucía*, *Murcia* and others – have approved their regional budgets for tax year 2020. These include some changes to the personal income tax rates, so there will be new general income tax tables for the 2020 tax year for residents of these regions. If you need further information about these new regional rates, please contact us.

It was the Spanish government's intention to present the draft 2020 budget in March, aiming to approve the final text around summertime. However, the spread of coronavirus and the resultant lockdown in Spain forced them to alter the political calendar, so this did not happen as planned. We are now awaiting a further revised schedule to emerge. Once the new budget is approved in due course (it will of course require enough support from different political parties to pass the law in the Spanish Parliament), it is likely that it will have retrospective effect from 1 January 2020, unless stated otherwise.

See page 22 for a summary of the relevant tax proposals that could affect individuals living in Spain.

## Where are you tax resident?

Understanding where you are tax resident is important since normally the country of residence would tax you on your worldwide income and gains.

In Spain, you are considered to be a tax resident if you spend more than 183 days in Spain during the Spanish tax year (the calendar year) or if your main professional activity or most of your assets are based in Spain (i.e. if your centre of economic interest is in Spain). You can also be considered to be resident in Spain if your spouse and/or dependent minor children live in Spain (unless you can prove otherwise).

In Spain there is no split year treatment, so you are either resident or non-resident for the whole tax year.

Under the UK Statutory Residence Test, there are a number of steps required to assess your residency. To determine your residence status, you need to work through the following three tests in the order shown. The first test is absolute and trumps all other tests, so if you are non-UK resident under this test, the other two will not apply. If the second test applies, the third is ignored.

1. The automatic overseas test
2. The automatic residence test
3. The sufficient ties test

Where your residence status is not determined under the first two tests, the third test determines whether you are resident in the UK based on a combination of the number of days you spend in the UK and the number of 'ties' you have to the UK. The 'ties' are: family; available accommodation; substantive work in the UK; more than 90 days in the UK in the previous two years and more time in the UK than any other country. There are specific definitions of each of these ties, and you should seek specialist advice on how they impact your position.

Even where you satisfy the domestic residence criteria of Spain, as well as the UK domestic rules, under the terms of the UK/Spain Double Tax Treaty you can only be tax resident in either country at any one time, so the Treaty has 'tie-breaker' rules to establish where you are resident. It might be dangerous to rely on the tie-breaker rules, as circumstances can change, often from year to year – sometimes all it could take is a bout of serious illness and your residence position could change, and you have not taken advice or prepared for it. Also, your interpretation of the rules might not be the same as those of the tax authorities in the country in which you are claiming not to be resident.



## Are you paying tax in the right place?

Many people move abroad and continue to wrongly pay tax in the UK, when they should be paying tax in their new country of residence. This is quite common in Spain, particularly where some people just never declare themselves to the Spanish tax authorities at all, assuming that they should continue paying tax in the UK, particularly if they only have UK-source income such as UK pensions and savings income. It can be all very confusing unless you receive specialist advice.

People who mistakenly assess their residence or who pay tax in the wrong country may end up paying more tax than they should be. Had they taken advice before they left the UK, they could have put into place tax-efficient structures for their money, saving them taxes and increasing their available income.

If you are traced by the authorities in Spain and have not submitted appropriate Spanish tax returns, or have under-declared your income because you are paying tax in the UK and believe that you do not need to declare the income in Spain, this will be treated very seriously by the Spanish tax inspector. It could be treated as tax evasion, however innocently arrived at, giving rise to penalties and interest on any underpaid tax. Declaring that you have paid tax in the UK on income which is actually taxable in Spain will not be considered a defence under Spanish law.

While you might be working in the UK for a UK employer or performing self-employment activities in the UK, you may still have a tax liability in Spain, not the UK, and you could find that you have been paying social security to the wrong country. This can affect your healthcare, state retirement pensions and other social welfare benefits. Again, there may be penalties and interest due on any underpaid social security. By getting this wrong you can cost yourself, and possibly your employer, a lot of money as well as losing social security and pension rights.

If you are seen as a Spanish resident, you will be liable for tax on your worldwide income and gains in Spain. Non-residents of Spain will be liable for Spanish income tax only on Spanish sourced income and capital gains.

## What about the UK/Spain Tax Treaty? Does it stop you paying too much tax?

Although the tax treaty signed between the UK and Spain means that the same income or gain is not taxed twice, not all income or gains are taxed in just one country. The problem is, if you do not know the rules, you can end up paying more tax than you need to if you are paying it in the wrong country.

Also, where income or gains are taxed in both countries, although you can offset the tax paid in, say, the UK against the tax due in Spain, if the tax payable in the UK is higher you will not get a refund of the difference in Spain. So ideally, if you can avoid paying the higher UK rate altogether, you can reduce your tax bill this way. However, just not paying the UK tax is not an option, so you need to take advice to make all of your income as tax-efficient as possible.

## Are your investments tax-efficient for you?

For UK residents, income derived from Individual Saving Accounts (ISAs) and Premium Bond winnings are all completely free of tax. However, these are only tax-efficient investments in the UK, so once you become a Spanish resident all income and gains from such investments are subject to tax in Spain. It is important to talk to us before you change residency if possible as there may be steps we can help you take ahead of your move that will save you paying tax that could have been avoided.

Also, did you know that although anyone may hold Premium Bonds, regardless of where they are resident (subject to any local laws prohibiting such investments), only UK residents may contribute to an ISA? Those who have left the UK may continue to hold ISA funds, but they can no longer add to these. Income and gains derived from ISAs (regardless of whether it is withdrawn or not) are only tax-free in the UK and will be subject to tax in Spain.

Keeping cash offshore is dealt with in the next section, but what about other investments, like shares, OEICs, unit trusts or investment bonds? Dividend income from UK shares is taxable in Spain, as in the UK, regardless of whether the dividend is received or reinvested.

You also have to consider the Spanish capital gains tax on disposal of these assets, including on shares held in PEPs and ISAs, as these will be taxable disposals in Spain. Investment bonds are a vehicle that people often use, giving the freedom of deferring tax on any income or gains arising until money is withdrawn from it. If you are a UK resident this is usually for at least 20 years, and sometimes more, as you can take up to 5% (the '5% tax-deferred allowance') of your original investment each year with no immediate liability to UK tax, while the income and gains within the bond roll up tax-efficiently. The 5% limit is cumulative, so if not utilised in one year, can be carried forward. The Spanish tax treatment of such bonds is different from the UK treatment, and in many cases the Spanish tax treatment of such investments is not particularly beneficial, so you should seek advice.

There are very tax-efficient investment vehicles available to residents of Spain that can reduce taxable income, and thus income and wealth tax payable in Spain. They can also have an impact on Spanish succession tax. If only ISAs were as beneficial for UK residents!

## What about offshore bank interest?

Spanish tax residents are subject to tax on their worldwide income and gains, including bank interest arising anywhere in the world, even if you never use the account or withdraw the interest you earn.

Interest income is taxed at savings rates from 19% to 23% in Spain, depending on the amount of income received. However, this would be subject to the limits established by the UK/Spain Treaty.

Under the Common Reporting Standard, which began in January 2016, almost 100 jurisdictions around the world are starting to automatically exchange information for tax matters. The Spanish authorities will receive information each year on all your bank accounts, investments and other financial assets held outside Spain.

## What about your rental income?

Many people retain UK property to 'let' out when they leave the UK. For some, this is their 'pension' fund and they have one or more buy-to-let properties; others are unable to sell their UK main home when they leave the UK and so decide to let it out to provide an income.

This income remains taxable in the UK and must be reported each year to HMRC on a UK tax return.

However, this income is also taxable in Spain once you become Spanish resident and is added to your other general income and taxed at the scale rates of tax. The UK tax paid on this income can be offset against the Spanish tax on the same income to avoid double taxation.

A reduction of 60% is available against net rental income for residents of Spain before tax is payable (only available for long-term lettings). This also includes lettings income from outside Spain. Additionally, some expenses can be deducted from the gross rental income, but not all of them.

## What if you rent out Spanish property?

Many people who have bought a property in Spain look to rent it out, even if it is a holiday home. The money brought in from such activities pays for the mortgage, or annual local taxes and some of the upkeep.

This money, even if it is just to 'cover the bills' while someone is using the property, is rental income derived from the property and therefore subject to tax in Spain. In the hands of non-residents of Spain who are resident in another EU/EEA country, the net rental income (after allowable deductions such as mortgage interest, repairs, agency fees, local taxes and even depreciation, etc...) is taxed at a flat rate of 19%. For those resident outside the EU/EEA it is 24% and no deductions can be used to reduce the gross taxable income.

Spanish residents pay tax on the net rental income (including rental income from abroad) at the progressive scale rates. There is a reduction of 60% available against net rental income for long-term lets (normally for at least one year in duration).

Spanish tax inspectors realise that they are missing out on a source of revenue here, and in recent years, among other measures, they have taken to searching letting websites and property magazines to find properties that they believe have been let and the income not declared. They can also receive information from utility providers of every property, enabling them to detect if a property has been lived in.

Regardless of your residence position, if you have a Spanish property that is not your main home and you are not renting it out, the Spanish deem a notional rental income to arise. This is generally calculated as 1.1% of the official value of the property (*valor catastral*) if the value has been revised during the previous 10 years, or 2% if not. This income is called *imputación de rentas inmobiliarias* and, even though it is not actual income, it is taxable in Spain. Any such income is added to the rest of general income and taxed at the scale rates for residents, a flat rate of 19% for non-residents who live in the EU/EEA, or 24% for those resident outside the EU/EEA.

This notional rental income also applies to overseas properties owned by Spanish residents. In this case, it is 50% of the acquisition price that is used to calculate the annual charge, which is 1.1% of the value. The corresponding amount will be then taxable at 19% or 24%, as indicated above. Non-Spanish residents will only need to pay this tax provided they have a Spanish property not rented out (i.e. a holiday home in Spain available for them).



## What about selling your property?

For Spanish residents, the gain on the sale of your main home may be exempt from capital gains tax provided you have lived in the property for at least three years and you are over 65 years old, or if you are under 65 and you reinvest the whole proceeds in a new main home. Certain conditions must be fulfilled to benefit from the main home relief for capital gains purposes in Spain.

Under the UK/Spain Double Tax Treaty, gains arising on disposal of UK properties are subject to Spanish capital gains tax at rates of up to 23%. This would apply even if the property was your main home before you moved to Spain, unless you are eligible for the main home relief for capital gains tax purposes. You would also be liable to UK capital gains tax. From 6 April 2015, UK capital gains tax applies on the sale of UK residential property even if the owner is non-UK resident.

There are alternative methods of investment available to Spanish residents that are much more tax-efficient. Even where a property is not selling or being sold, it is worth taking advice to see if there is anything that can be done to mitigate taxes.

## What about ‘black money’?

Once, many property transactions in Spain involved an element of ‘black money’, not declared in the deeds, but paid over in cash. This practice has been largely stamped out these days, but every now and again we come across people who mention it. There are several risks when buying a property and paying black money, quite apart from the fact that this practice is illegal. The main issue is that you, as the buyer, would be declaring a lower acquisition cost for the property than you actually pay. This means that when you sell, you will have to pay tax on the declared gain, which is higher because the purchase price was under-declared in the first place. The tax authorities will investigate if they believe that there has been any suspicion of black money being paid. The advice from every reputable property and tax professional is simply not to pay (or charge) black money.

## Who is going to inherit your assets?

Spanish succession law follows ‘forced heirship’ rules. This dictates that disposal of assets are passed within your bloodline rather than as you choose, so any surviving spouse or children will automatically inherit a certain proportion of the deceased’s assets. Dying intestate means this law applies, so you need to make sure you have a will.

The good news for UK nationals is that as long as you have a will valid in Spain, your own private international law can override Spanish succession law so that you can generally leave assets as you choose, wherever they are located. Additionally, the EU regulation from August 2015 (‘Brussels IV’) allows the option to elect, via a will, for the succession laws of your country of nationality to apply on death to avoid Spanish forced heirship. However, this will not affect the applicable taxation on death.

## What about your will?

A UK will may be effective in Spain but must go through the probate process in the UK, after which it needs to be translated and notarised and then go through the probate process in Spain. Thus, it can take a significant amount of time before a will can be finalised and the assets distributed. This is also a very costly process.

If you set up a Spanish will for Spanish assets, this may inadvertently revoke your UK will, leaving your assets intestate, which can take a lot of time to sort out. Alternatively, the new Spanish will may be at odds with your existing UK one, leading to disputes between your heirs, which again may be expensive and costly to resolve. Taking advice can solve these problems, ensuring that any transfer by will is as smooth as possible for your survivors.

## Who is going to pay the tax when you die?

Spanish succession and gift tax is a tax levied on both lifetime gifts and assets passing on death. It applies to Spanish situated assets passing to anyone, anywhere in the world, and also to any asset passing to Spanish residents. Thus, this tax always applies to Spanish real estate, regardless of where the person gifting/bequeathing the asset is resident, and also any assets (wherever located) passing to a Spanish resident surviving spouse or child. Unlike in the UK, spouses are liable to this tax in Spain.

It is the person who receives the assets, whether by way of lifetime gift or as a bequest, who is liable to pay the tax. This is unlike the UK, where the estate pays the tax, unless specifically provided for in the will. The rates of tax applied depend on:

- The relationship between the donor and donee
- How much is being inherited
- The value of assets that the donee already has (pre-existing wealth of the beneficiary)
- Where the deceased/donor and the beneficiaries are resident

However, as in the UK, the ownership of an asset cannot be transferred until the tax is paid. As you cannot sell the asset to pay the tax, problems can arise for the beneficiaries in Spain, where tax usually has to be paid within six months of the death.

To further complicate matters, each autonomous region of Spain may set its own exemptions, reductions and rates of tax. This can make the rates and allowances more or less beneficial, depending on the region.

The national exemptions are low, being around €16,000 for a parents, spouses or children over 21 years old, and an additional 95% reduction per inheritor against the value of the main home if certain requirements are met. This means that many expatriates who are caught out by the rules suffer Spanish succession tax on the first death on transfer of their assets to their surviving spouse. Most British expatriates are unaware of this issue and are therefore unprepared for it.

The autonomous regions generally have broadly similar rules, although many are more generous (although some not much more). Some regions have also reduced the tax payable to a proportion of the calculated liability, so that there can sometimes be very little tax to be paid. However, determining whether state or regional rules will apply when calculating succession and gift tax is not straightforward and can vary depending on various factors. Because of these complexities, it is essential to take advice before you buy a property in Spain, and even more so if you intend to move to Spain.

Finally, should you die as a UK domicile, your worldwide estate remains subject to UK inheritance tax, even if you have lived in Spain for several years. Thus, there may be assets which are subject to tax in both the UK and Spain. For nationals of other countries, there may also be double taxation in their country of nationality as well as Spain. For UK/Spanish double taxation, although there is no specific double tax treaty applicable to taxes on lifetime gifts or death, both Spain and the UK will give unilateral relief so that assets are not taxed in both countries on the same event. The higher liability will usually be due, i.e. if the Spanish liability exceeds the UK liability on a Spanish asset, the Spanish tax must be paid, then a credit is given in the UK for the Spanish tax. If the UK tax exceeds the Spanish tax, however, further tax is payable in the UK.

Situations can arise whereby tax can be due in both countries, but on different events – and in this case, as the tax is not due in both countries on the same event, there can be no offset of tax paid in one country against the tax due in the other country. This is where careful planning can help, so that the people you want to inherit your assets can do so at a minimum of tax, meaning that more of your money goes to them and less to the governments of either Spain or the UK.

## What about your overseas assets and *Modelo 720*?

Spanish residents are required to submit an annual report (*Modelo 720 – Declaración informativa de bienes en el extranjero*) declaring their non-Spanish assets and rights that are within the following groups:

- Accounts in financial entities located abroad
- Securities, shares, insurance products, etc... located abroad
- Real estate located abroad

You have to submit a report where the value of your assets in one of the groups exceeds €50,000 at 31 December. The submission of the *Modelo 720* in subsequent years is only required when the value of any of the groups of assets, taken as a whole, increases by more than €20,000 compared with that which was reported on the previous year's form. You also need to complete a submission if you have sold an asset or closed an account.

Generally you need to submit your *Modelo 720* between 1 January and 31 March of the following year (the deadline will move to the next working day when 31 March falls on a weekend). Significant penalties may be imposed for failure to report or if you report the assets incorrectly. The European Commission is currently reviewing the legality of the penalty regime of the Spanish *Modelo 720*.

Note that *Modelo 720* is not a tax return; it is simply a requirement to report information about assets and rights. However, it is reasonable to assume that this form will be compared with any income and wealth tax return due in Spain.

## What is wealth tax all about?

In Spain, the value of your assets is added up on an annual basis as at 31 December each year, and if the total value exceeds the available allowances you will be subject to wealth tax.

Spanish wealth tax is payable both by residents and non-residents of Spain. Spanish residents are liable on their worldwide assets while non-residents are liable to wealth tax on their Spanish assets only.

There is no equivalent tax in the UK as this is effectively a tax on your capital assets, rather than income or growth in value of disposed assets (i.e. capital gains tax). This can be a complicated tax and can be very expensive for those who are unprepared for it. While there are national rates, the wealth tax rates can differ depending on the autonomous region of Spain in which you are resident, or where the assets are located. There may be ways of mitigating this tax by taking advice.

## What if you are not married?

For those who are not married, Spanish succession and gift tax can be up to a maximum of 82% on anything inherited and gifted between you, although this rate is extremely rare. The general position is that a 'stranger' — someone not related to you by blood or marriage — could potentially pay double what a spouse or child would in the same situation. This could affect assets passing between step-parents and step-children (in certain circumstances), as well as gifts or bequests to friends. There are ways around this, and in some cases do not necessarily involve getting married, but if you are unprepared for this when you move the consequences can be terrible when the first partner dies.

## What about civil partners and common law marriages?

Spain allows for actual marriage between same-sex couples, and they recognise marriages between same-sex couples in other states. However, UK civil partnerships are not technically recognised in Spain as marriages. Thus, those who are in a UK civil partnership if they want their union to have legal effect in Spain, they should convert it into a UK civil marriage.

In certain Spanish regions, '*parejas de hecho*' (i.e. cohabiting partners or common law marriages) are recognised as married couples for tax purposes, although there are several requirements to be met in order to be registered as such, depending on the Spanish region where you are resident.

## Summary

There are many issues facing UK nationals looking to buy property in and move to Spain, and a lot of these can be dealt with very easily, in many cases, provided you take advice. However, for you to make the most out of such a purchase or move, the adviser needs to understand both Spanish and UK tax law, as something that can save you tax in the UK can have the opposite effect in Spain and *vice versa*.

There is no one solution for everyone, because each situation is different. It is important to do your research, but there is no substitute for advice tailored to your specific circumstances.

Despite the reputation that Spain has for high taxation, this is not always true, and many of our clients have found this out to their benefit.

**Can we do the same for you?**



## TAX RATES 2018

As previously indicated, while the national tax rates are still valid as at April 2020, some regions have already approved their regional budgets for 2020 – therefore, the final applicable income tax rates for the 2020 tax year will be slightly different. If you need specific information, please contact us.

### Income tax

In Spain, income (including capital gains) is split into general income and savings income.

Savings income includes:

- interest income
- dividends
- purchased annuity income
- income derived from life assurance contracts
- capital gains on the sale/transfer of assets

Anything not categorised as savings income is included as general income, such as:

- all earned income (i.e. salary, self-employment and pension income)
- rental income
- notional rental income
- royalties
- any imputed income and gains not made on the sale/transfer of assets (for example, from lottery/gambling)

### General income

Income tax rates are made up of a state tax plus a regional tax. Each Autonomous Community can set their own local rates, so that each region has its own progressive rates of income tax.

Here are the 2018 tables for the most popular regions for expatriates.

#### *Andalucía* income tax rates

TAXABLE BASE FROM €	TAXABLE BASE TO €	NATIONAL TAX RATE	REGIONAL TAX RATE	TOTAL TAX RATE	TAX PAYABLE ON BAND €	CUMULATIVE TAX PAYABLE €
0	12,450	9.5%	10.0%	19.5%	2,428	2,428
12,450	20,200	12.0%	12.0%	24.0%	1,860	4,288
20,200	28,000	15.0%	15.0%	30.0%	2,340	6,628
28,000	35,200	15.0%	16.5%	31.5%	2,268	8,896
35,200	50,000	18.5%	19.0%	37.5%	5,550	14,446
50,000	60,000	18.5%	19.5%	38.0%	3,800	18,246
60,000	120,000	22.5%	23.5%	46.0%	27,600	45,846
120,000	Onwards	22.5%	25.5%	48.0%	—	—

### Murcia income tax rates

TAXABLE BASE FROM €	TAXABLE BASE TO €	NATIONAL TAX RATE	REGIONAL TAX RATE	TOTAL TAX RATE	TAX PAYABLE ON BAND €	CUMULATIVE TAX PAYABLE €
0	12,450	9.5%	10.0%	19.5%	2,428	2,428
12,450	20,200	12.0%	12.5%	24.5%	1,899	4,327
20,200	34,000	15.0%	15.5%	30.5%	4,209	8,536
34,000	35,200	15.0%	19.5%	34.5%	414	8,950
35,200	60,000	18.5%	19.5%	38.0%	9,424	18,374
60,000	Onwards	22.5%	23.5%	46.0%	—	—

### Comunidad Valenciana income tax rates

TAXABLE BASE FROM €	TAXABLE BASE TO €	NATIONAL TAX RATE	REGIONAL TAX RATE	TOTAL TAX RATE	TAX PAYABLE ON BAND €	CUMULATIVE TAX PAYABLE €
0	12,450	9.5%	10.00%	19.50%	2,428	2,428
12,450	17,000	12%	11.00%	23.00%	1,047	3,474
17,000	20,200	12%	13.90%	25.90%	829	4,303
20,200	30,000	15%	13.90%	28.90%	2,832	7,135
30,000	35,200	15.0%	18.00%	33.00%	1,716	8,851
35,200	50,000	18.5%	18.00%	36.50%	5,402	14,253
50,000	60,000	18.5%	23.50%	42.00%	4,200	18,453
60,000	65,000	22.5%	23.50%	46.00%	2,300	16,553
65,000	80,000	22.5%	24.50%	47.00%	7,050	23,603
80,000	120,000	22.5%	25.00%	47.50%	19,000	42,603
120,000	Onwards	22.5%	25.50%	48.00%	—	—

### *Cataluña* income tax rates

TAXABLE BASE FROM €	TAXABLE BASE TO €	NATIONAL TAX RATE	REGIONAL TAX RATE	TOTAL TAX RATE	TAX PAYABLE ON BAND €	CUMULATIVE TAX PAYABLE €
0	12,450	9.5%	12.0%	21.5%	2,677	2,677
12,450	17,707	12.0%	12.0%	24.0%	1,262	3,938
17,707	20,200	12.0%	14.0%	26.0%	648	4,587
20,200	33,007	15.0%	14.0%	29.0%	3,714	8,301
33,007	35,200	15.0%	18.5%	33.5%	735	9,035
35,200	53,407	18.5%	18.5%	37.0%	6,737	15,772
53,407	60,000	18.5%	21.5%	40.0%	2,637	18,409
60,000	120,000	22.5%	21.5%	44.0%	26,400	44,809
120,000	175,000	22.5%	23.5%	46.0%	25,300	70,109
175,000	Onwards	22.5%	25.5%	48.0%	—	—

### *Islas Baleares* income tax rates

TAXABLE BASE FROM €	TAXABLE BASE TO €	NATIONAL TAX RATE	REGIONAL TAX RATE	TOTAL TAX RATE	TAX PAYABLE ON BAND €	CUMULATIVE TAX PAYABLE €
0	10,000	9.5%	9.5%	19.00%	1,900	1,900
10,000	12,450	9.5%	11.75%	21.25%	521	2,421
12,450	18,000	12.0%	11.75%	23.75%	1,318	3,739
18,000	20,200	12.0%	14.75%	26.75%	589	4,327
20,200	30,000	15.0%	14.75%	29.75%	2,916	7,243
30,000	35,200	15.0%	17.75%	32.75%	1,703	8,946
35,200	48,000	18.5%	17.75%	36.25%	4,640	13,586
48,000	60,000	18.5%	19.25%	37.75%	4,530	18,116
60,000	70,000	22.5%	19.25%	41.75%	4,175	22,291
70,000	90,000	22.5%	22.0%	44.50%	8,900	31,191
90,000	120,000	22.5%	23.0%	45.50%	13,650	44,841
120,000	175,000	22.5%	24.0%	46.50%	25,575	70,416
175,000	Onwards	22.5%	25.0%	47.50%	—	—

### *Islas Canarias income tax rates*

TAXABLE BASE FROM €	TAXABLE BASE TO €	NATIONAL TAX RATE	REGIONAL TAX RATE	TOTAL TAX RATE	TAX PAYABLE ON BAND €	CUMULATIVE TAX PAYABLE €
0	12,450	9.5%	9.5%	19.0%	2,366	2,366
12,450	17,707	12.0%	12.0%	24.0%	1,262	3,627
17,707	20,200	12.0%	14.0%	26.0%	648	4,275
20,200	33,007	15.0%	14.0%	29.0%	3,714	7,989
33,007	35,200	15.0%	18.5%	33.5%	735	8,724
35,200	53,407	18.5%	18.5%	37.0%	6,737	15,461
53,407	60,000	18.5%	23.5%	42.0%	2,769	18,230
60,000	90,000	22.5%	23.5%	46.0%	13,800	32,030
90,000	Onwards	22.5%	24.0%	46.5%	—	—

### *Madrid income tax rates*

TAXABLE BASE FROM €	TAXABLE BASE TO €	NATIONAL TAX RATE	REGIONAL TAX RATE	TOTAL TAX RATE	TAX PAYABLE ON BAND €	CUMULATIVE TAX PAYABLE €
0	12,450	9.5%	9%	18.50%	2,303	2,303
12,450	17,707	12%	11.2%	23.20%	1,220	3,523
17,707	20,200	12%	13.3%	25.30%	631	4,154
20,200	33,007	15%	13.3%	28.30%	3,624	7,778
33,007	35,200	15%	17.9%	32.90%	721	8,499
35,200	53,407	18.5%	17.9%	36.40%	6,627	15,127
53,407	60,000	18.5%	21.0%	39.50%	2,604	17,731
60,000	Onwards	22.5%	21.0%	43.50%	—	—

## Savings income

The tax rates on savings income for 2018 (valid as at April 2020) are:

TAXABLE BASE FROM €	TAXABLE BASE UP TO €	STATE TAX	AUTONOMOUS COMMUNITY TAX	TOTAL TAX RATE
0	6,000	9.5%	9.5%	19.0%
6,000	50,000	10.5%	10.5%	21.0%
50,000	Onwards	11.5%	11.5%	23.0%

These rates do not vary between the Autonomous Communities.

## Wealth tax rates and allowances

Spanish wealth tax is payable by non-residents and residents based on the net value of their assets held at 31 December each year. Spanish residents are liable on their worldwide assets. Non-residents are liable to wealth tax on their Spanish assets only.

### Allowances

ASSETS		RESIDENTS WORLDWIDE €	NON-RESIDENTS SPANISH ASSETS ONLY €
DEDUCTIONS	Individual	€700,000	€700,000
	Main home	Up to €300,000	None
EXAMPLE	Married couple	—	—
	2 x individual	€1,400,000	€1,400,000
	2 x main home	€600,000	None
TOTAL ALLOWANCES AVAILABLE		€2,000,000	€1,400,000

Example assumes assets are held jointly and the main home is in joint names and valued at over €600,000. However, if the property is worth less than the available main home allowance, the balance of the allowance cannot be offset against other assets, so is lost.

It is possible for the Autonomous Regions to vary the allowances and rates and many do this. Please bear in mind that wealth tax is an individual tax and joint tax returns are not permitted.

*Cataluña* reduced its individual deduction from €700,000 to €500,000.

*Comunidad Valenciana* reduced the individual deduction from €700,000 to €600,000.



## State wealth tax rates

These state wealth tax rates apply if the autonomous region has not approved its own.

FROM €	TO €	TAX RATE	TAX ON BAND €	CUMULATIVE TAX €
0	167,129	0.2%	334	334
167,129	334,253	0.3%	501	835
334,253	668,500	0.5%	1,671	2,506
668,500	1,336,999	0.9%	6,017	8,523
1,336,999	2,673,999	1.3%	17,381	25,904
2,673,999	5,347,998	1.7%	45,458	71,362
5,347,998	10,695,996	2.1%	112,308	183,670
10,695,996	Onwards	2.5%	—	—

However, some regions have approved their own wealth tax rates, as follows:

### *Andalucía* wealth tax rates

FROM €	TO €	TAX RATE	TAX ON BAND €	CUMULATIVE TAX €
0	167,129	0.24%	401	401
167,129	334,252	0.36%	602	1,003
334,252	668,499	0.61%	2,039	3,042
668,499	1,336,999	1.09%	7,287	10,328
1,336,999	2,673,999	1.57%	20,991	31,319
2,673,999	5,347,998	2.06%	55,084	86,404
5,347,998	10,695,996	2.54%	135,839	222,243
10,695,996	Onwards	3.03%	—	—

### *Murcia* wealth tax rates

FROM €	TO €	TAX RATE	TAX ON BAND €	CUMULATIVE TAX €
0	167,129	0.24%	401	401
167,129	334,253	0.36%	602	1,003
334,253	668,500	0.60%	2,005	3,008
668,500	1,336,999	1.08%	7,220	10,228
1,336,999	2,673,999	1.56%	20,857	31,085
2,673,999	5,347,998	2.04%	54,550	85,635
5,347,998	10,695,996	2.52%	134,770	220,404
10,695,996	Onwards	3.00%	—	—

### *Comunidad Valenciana* wealth tax rates

FROM €	TO €	TAX RATE	TAX ON BAND €	CUMULATIVE TAX €
0	167,129	0.25%	418	418
167,129	334,253	0.37%	618	1,036
334,253	668,500	0.62%	2,072	3,109
668,500	1,336,999	1.12%	7,487	10,596
1,336,999	2,673,999	1.62%	21,659	32,255
2,673,999	5,347,998	2.12%	56,689	88,944
5,347,998	10,695,996	2.62%	140,118	229,061
10,695,996	Onwards	3.12%	—	—

### *Cataluña* wealth tax rates

FROM €	TO €	TAX RATE	TAX ON BAND €	CUMULATIVE TAX €
0	167,129	0.210%	351	351
167,129	334,253	0.315%	526	877
334,253	668,500	0.525%	1,755	2,632
668,500	1,336,999	0.945%	6,317	8,950
1,336,999	2,673,999	1.365%	18,250	27,200
2,673,999	5,347,998	1.785%	47,731	74,930
5,347,998	10,695,996	2.205%	117,923	192,854
10,695,996	Onwards	2.750%	—	—

### *Islas Baleares* wealth tax rates

FROM €	TO €	TAX RATE	TAX ON BAND €	CUMULATIVE TAX €
0	170,472	0.28%	477	477
170,472	340,937	0.41%	699	1,176
340,937	681,869	0.69%	2,352	3,529
681,869	1,336,739	1.24%	8,120	11,649
1,336,739	2,727,479	1.79%	24,894	36,543
2,727,479	5,454,958	2.35%	64,096	100,639
5,454,958	10,909,915	2.90%	158,194	258,833
10,909,915	Onwards	3.45%	—	—

### *Islas Canarias* wealth tax rates

The state wealth tax rates apply for this region as they have not approved their own wealth tax rates.

## Succession and gift tax rates and allowances

These differ significantly for each autonomous region. Only the national rules have been included here, and personal advice should be taken. Some regions have varied the state succession and gift tax rates, reductions and allowances, notably *Andalucía, Murcia, Comunidad Valenciana, Cataluña, Madrid, Islas Baleares* and *Islas Canarias*.

### Categories

First, beneficiaries are divided into the following four groups depending on the closeness of relationship to the donor or the deceased:	
GROUP I	Natural and adopted children and other descendants (e.g. grandchildren, great-grandchildren, etc.) under 21
GROUP II	Natural and adopted children and other descendants aged 21 and over Ascendants (e.g. grandparents, great-grandparents, etc.). Spouses
GROUP III	In-laws and their ascendants/descendants* Step-children* Brothers and sisters Cousins Nieces and nephews Aunts and uncles
GROUP IV	All others including unmarried partners even if they have registered as a <i>pareja de hecho</i> (a <i>de facto</i> couple). However, in some regions, <i>pareja de hecho</i> are treated as married couples for succession and gift tax purposes, provided certain requirements are met.

\*In-laws and step-children can also be considered as Group IV beneficiaries in certain circumstances.

### State Relatives' Reductions

There are no state reductions for life-time gifts. The tax-free state relatives' reductions for inheritances received by members of the different groups are as follows:	
GROUP I	€15,956 with extra €3,990 for each year less than 21 years old, up to a maximum of €47,858
GROUP II	€15,956
GROUP III	€7,993
GROUP IV	nil

## Succession and gift tax state rates

FROM €	TO €	TAX RATE	CUMULATIVE TAX €
Nil	7,993	7.65%	612
7,993	15,981	8.5%	1,290
15,981	23,968	9.35%	2,037
23,968	31,956	10.2%	2,852
31,956	39,943	11.05%	3,735
39,943	47,930	11.9%	4,685
47,930	55,918	12.75%	5,704
55,918	63,906	13.6%	6,790
63,906	71,893	14.45%	7,944
71,893	79,881	15.3%	9,166
79,881	119,758	16.15%	15,606
119,758	159,635	18.7%	23,063
159,635	239,389	21.25%	40,011
239,389	398,778	25.5%	80,655
398,778	797,555	29.75%	199,291
Over	797,555	34%	—

The tax liability is subject to multipliers depending on the relationship between the recipient and the deceased/donor and the wealth of the recipient prior to the transfer (pre-existing net wealth).

## Inheritance and lifetime gift tax multipliers

PRE-EXISTING NET WORTH OF THE DONEE		GROUPS 1 & II (ASCENDANTS DESCENDANTS SPOUSES)	GROUP III (SECOND & THIRD RELATIVES)	GROUP IV (OTHERS)
FROM €	TO €			
Nil	402,678	1.0000	1.5882	2.0000
402,678	2,007,380	1.0500	1.6676	2.1000
2,007,380	4,020,771	1.1000	1.7471	2.2000
Over	4,020,771	1.2000	1.9059	2.4000

If you require information about tax rates, reductions and allowances for a specific Spanish autonomous region, please contact us.



## Proposals that could be included in the 2020 state budget

Here is a summary of the most relevant proposals included in the coalition agreement signed between PSOE and Unidas Podemos that could affect individuals living in Spain.

### Income Tax

#### General income

Currently, the Spanish state general income tax rates are as follows:

FROM €	TO €	STATE TAX RATE	REGIONAL TAX RATE	TOTAL TAX RATE
–	12,450	9.5%	9.5%	19%
12,450	20,200	12%	12%	24%
20,200	34,000	15%	15%	30%
34,000	60,000	18.5%	18.5%	37%
Over	60,000	22.5%	22.5%	45%

According to the proposals, there could be two additional tax brackets, as follows:

1. From €130,000 to €300,000: +2% (i.e. 47%)
2. From €300,000 onwards: +4% (i.e. 49%)

Please bear in mind that these proposed changes would only affect the state rate part of the rates, and the Autonomous Regions have power to change their part, as appropriate.

#### Savings Income and Capital Gains

There could be an additional savings income tax bracket for income and gains exceeding €140,000. It is therefore very likely that the applicable rates would be as follows, should these proposals go ahead:

FROM €	TO €	TAX RATE
–	6,000	19%
6,000	50,000	21%
50,000	140,000	23%
140,000	onwards	27%

## Other proposals

The Spanish government would also like to approve a new law to fight against tax fraud (e.g. updating tax havens list, forbidding tax amnesties, dedicating more human and material resources for this purpose, etc).

Additionally, they would like to review the taxation of SICAVS/Collective Investment Institutions and High Net Worth Individuals, to create a fairer tax scheme.

**This guide will be updated once the 2020 Spanish budget is finally approved, highlighting any significant changes to tax rates. Please check the Blevins Franks website regularly or contact us for more information.**

▶▶ You can contact the Partner closest to you either by phone,  
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*This guide has been prepared based on the laws of the UK and Malta as at April 2020. The tax rates, scope and reliefs may change. Any statements concerning taxation are based upon our understanding of current taxation laws and practices which are subject to change. It is a general guide only and, in explaining complex matters in a simple way, cannot be relied upon as a substitute for professional advice. Blevins Franks cannot accept any responsibility for loss occasioned by any person's action (or refraining from action) as a result of reading this guide. You must take detailed professional advice relevant to your particular circumstances before any action is taken.*

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