



# Tax Bulletin

## Spanish Wealth Tax

### Changes and implications

***“This bulletin highlights important tax changes affecting both Spanish residents and non Spanish residents with assets in Spain”***

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#### **Introduction**

On the 16 September 2011 the Spanish Government took the unusual move of reintroducing Wealth Tax by Royal Decree Law 13/2011.

This tax was suspended in 2008 when new legislation abolished any filing obligations and established a 100% ‘allowance’ on any tax due. Accordingly no wealth tax filings have been required for any tax year since 2007.

#### **What does this mean?**

The basis for this tax is on net assets held at 31 December of each year which is the end of the Spanish tax year. The effective rates of wealth tax will range from 0.2% to 2.5% on any excess over the given ‘allowance’ which will amount to around €1,000,000 for Spanish residents and €700,000 for non-residents.

Spanish residents will be subject to wealth tax on their world wide assets whilst non-residents will only be subject to wealth tax on assets located in Spain.

#### **Representative for non residents**

Non-residents will be required to appoint a representative in Spain to fulfill the new filing requirements whenever they operate through a permanent establishment or when required to do so by the Spanish Tax Authorities depending on the amount and characteristics of the taxpayer’s wealth located in Spain.

The appointment of the representative must be communicated to the tax authorities no later than the 30 June 2012.

#### **General allowance**

Both resident and non-resident taxpayers will have a minimum exemption or ‘tax allowance’ with respect to their assets of €700,000. Any assets that fall within this band will not be subject to wealth tax. This is a considerable increase from the allowance given before its abolition in 2008 of €108,182.

The tax is collected by the different ‘Autonomous Regions’ in Spain. Essentially individual regions are authorised to modify the minimum exemption, tax rates and allowances. Where the Autonomous Region has not set its own tax allowance this is automatically set at €700,000.

#### **Additional private residence allowance**

Spanish residents may benefit from an additional allowance of up to €300,000 against the value of their main residence. The exempt limit has been increased from €150,000. There is no such allowance for non-residents.

#### **Filing requirements**

A wealth tax return is to be submitted by 30 June following the end of the Spanish tax year. This only applies in cases where there is a tax liability or where there is no liability but the value of an individual’s assets exceed €2,000,000.

#### **The 2013 tax year onwards**

The Government’s intention is to reintroduce the 100% tax free allowance for the 2013 tax year onwards.

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