

Spain Income Tax for Foreign Property Owners

Foreign nationals who are not registered for tax in Spain but own property in the country must submit a tax declaration for their income tax to the state tax office every year.

This involves the so-called Impuesto de la Renta de No Residentes (Income Tax for Non-residents).

Many property owners do not understand why they must declare and pay tax in Spain even though they earn no income here because they only come here for holidays and therefore neither work nor are involved in any economic activities or receive interest from banks on financial investments.

There is usually no rental income from property either. Despite this, in Spain (much like in other European countries), simply owning a property is regarded as income, even when the property is not let or leased out.

The state tax system assumes that a profit is made from the property even if it is not rented out, it is not the own home or if the property is not dedicated to economic activity, which for non-residents can never be the case.

How is this fictitious return calculated?

Spanish law stipulates that income earned from the simple possession of a property equates to a certain percentage of its cadastral value. This percentage is either 2% or 1.1%, depending on the year in which the Spanish Land Registry (or rather, the respective municipality), updated its property values.

The Land Registry is a national register of properties, answerable to the Spanish tax office, which gives the authorities information about these properties (owners, size, use, year of construction, boundaries, etc.). The information stored at the Land Registry can be submitted by Land Registry officials themselves, the municipalities or the owners of the property.

One of the most important pieces of information on every property is in fact the cadastral value. This value is dependent on many other objective details and here on the coast can generally be a lot lower than the market price that we would set for the property.

Despite this, this objective value is decisive for almost all authorities and provides the basis for many taxes, including income tax for non-residents. This percentage of the cadastral value is therefore the basis for income tax for non-residents, which is currently 24%.

Every year, the owners must pay the resulting sum by 31 December the following year. This means that foreigners who own a property in 2010 must submit their tax declaration to the tax office and pay the tax by 31 December, 2011.

In 2008, the tax office changed the forms for this declaration, which caused problems for many foreigners who did not hear about this amendment in time. Until then, Form 214 was used, but now Form 210 must be completed.

The change was a consequence of recent tax reforms, which saw the abolition of property tax. However, the tax for non-residents was retained because it is regarded as a form of income tax rather than a property tax.

Otherwise, for non-residents there are only the local rates, the so-called IBI, which are paid as a municipal tax that every municipality demands from property owners each year and which is calculated and demanded by the local authority itself.

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