



Tax Review on Rentals in Spain

This document is prepared for foreign nationals that have interest in purchasing a property in Spain with the purpose of rental income.

1. Buying with your personal name as a resident of Spain.
2. Buying in your personal name as a non-resident of Spain.
3. Buying with a Spanish Limited Company (SL) - *Sociedad Limitada*.

PURCHASING

The purchase will have these standard taxes plus costs of professional fees:

- A - Purchasing new build property has 10% VAT. This is cash flow cost if running a rental business that is recovered from rental taxes.
- B - Completed property that is a second transition. The normal stamp duty is between 8% to 10%.
- C - Buying volume stock with a SPV Company will have a transfer tax of only 2%, subject to the property being sold within 5 years.
- D - Land purchase is 21% and when using a SPV Company all payments from the client VAT is recovered.
- E - When using a SPV company rental income with VAT can be offset against the initial VAT in the cases A and C.
- F - A non-resident buying in their name will have a once only 3% retention on the purchase of real estate acquired for rental. This can be accounted for as a cost in their tax resident country in the EU and countries with tax agreements with Spain.

RENTAL INCOME

When the property is in a private name (resident and non-resident):

- The balance against running costs (not the purchase) can be exported. This is then taxed in the resident's country.
- If the principle is a Spanish Resident the income is added to his taxable income and wealth and taxed accordingly.
- Non-residents without a SPV Company have to make an annual 'IRPF' tax presentation.

AYAMONTE HOMES

- In addition, quarterly an accountant presents a profit account and tax is paid with EU paying 19% and Non EU 25%

When the property is in a name of a Spanish Company

- Over five properties, we advise a business structure, in other words using a SPV Company and the choice of property to be within a resort that caters for the activities of tourists. Corporate taxes are 15% in the first two years and then alter the normal 25%,
- The Company is a resident entity in Spain and eliminates some of the above issues.

HOLDING COSTS

The area has very low holding costs compared to other destinations in Europe and Spain. Cleaning and laundry on a two bedroom unit is between 75 to 80 Euros.

Property taxes are very modest compared to other areas of Spain and Europe, e.g. these include:

- "IBI" which is the town hall annual tax.. A two-bedroom town house is approximately 350€
- "Basura" (garbage) collection fee is approximately 50€ annually.
- Community Fee for the project. This is for maintaining the gardens and pool and, often for a security guard or security service.
- There could also be a Macro Community fee. This is a fee that maintains the area of the project and could be described as a suburb.

Disclaimer - the above overview is a summary of the current structure used for rental properties. We advise that professional tax advice is taken as on purchase the best structure considering the origin of the funds and this may vary from above.