

## TAXES WHEN SELLING SPANISH PROPERTY

### Capital Gains Tax (non-residents)

A non-resident seller is liable for payment of a 35% Capital Gains Tax on the profit of the sale of their property unless it was bought before January 1st 1.987. However, there are exemptions available for those who have owned their property since 1.994 and before. Also, the vendor can offset against the gain made on the sale other costs.

A vendor will be able to mitigate his tax exposure by three different ways:

- Reductions on when the property was purchased.
- Those who bought a property after the 31st of December of 1.994 will not be entitled to any reductions.
- Those who bought in 1.987 or after will enjoy of a reduction of 11.11% on the net gain for every year they have owned the property before the 31st of December 1996 after taking the first two years. This means that a seller starts benefiting from this reduction, his first 11.11%, if he bought in 1.994, 22.22% if he bought in 1.993 and so on.
- Those who bought before the 31st of December 1.986 will be pay not tax, as the cutoff point is 1996.

### Reductions on the inflationary movements

This reduction is obtained by applying a percentage to the purchase price, raising the original price to the level of the value of the Euro today. This inflationary correction factor is applied to the entire purchase price, as well as to all costs surrounding the purchase. Likewise, improvements and extensions on the property will have to be updated inflation-wise.

The correction factor to be applied will be the following:

Year of purchase (or of execution of works)	Correction Factor (%)
1994 and previous	1.1690
1995	1.2350
1996	1.1928
1997	1.1690
1998	1.1463
1999	1.1257
2000	1.1040
2001	1.0824
2002	1.0612
2003	1.0404
2004	1.0200
2005	1.000

### Reductions on the inherent costs of the purchase, works done on the property and others.

- Costs of the purchase: these would include VAT of Transfer Tax, Plusvalía Tax (where paid by the buyer), Land registry and Notary fees, lawyer's and real estate agent's fees, where applicable.
- Extensions done on the property. These should not be confused with maintenance and conservation costs, as these are not deductible.

Examples of not deductible costs are repair or maintenance works, such as painting, repairs on heating systems, lifts, plumbing and so on. Also, the installation of iron bars, doors, double glazing windows and similar works on the property.

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### Plusvalía Tax (Municipal Tax on the increase of the value of the land over the years)

From a little as a few thousands Euros for small properties recently purchased to as much as a few thousand Euros for larger estates purchased many years ago. This tax is calculated on the basis of two variables; ratable value of the property and number of years of ownership by the vendor. The market value or the sales price does not have an effect on this tax.

It is recomendable for the seller/legal representative to find out with the Town Hall the amount of tax they will demand.