

YEARLY TAXES AND FEES ON PROPERTY OWNERSHIP

A non-resident for tax purposes property owner is liable for payment of the following each year:

1. Annual Real Estate Tax

This annual tax is handled by the Town Halls, which rules over the extension of the municipality. This tax varies from one municipality to another. Its Spanish name is I.B.I., and will be determined by location, size, nature of the land (urban or rustic nature) and the applicable percentages which national laws leave to the discretion of the Town Halls.

The base on which the tax percentage is applied is called the valor catastral, which is the assessed value of the property by the local authorities. This amount seldom comes in round figures and it is the result of a number of calculations performed by the relevant authorities.

This value can be expected to be from 20% to 65% of the real market price. This should not be taken as a rule since the local authorities are in the process of raising these values to reflect the real selling prices.

Any reputable real estate agency should be able to provide the buyer with a copy of the last I.B.I. receipt for informational purposes.

2. Property Income Tax

Non residents for tax purposes still need to make a tax return in respect of the notional letting value of the property. This tax return has to be made whether the property is let to anybody or not. Any property owner will possibly think that why pay income tax when there is no income. The reason for this tax to be in force is that the Tax Authority assigns an imaginary income, or imputed income, or notional letting value to the property, regardless of the owner actually deriving an income from the property. The tax base is the valor catastral, the local assessed value of the property which can be found on a I.B.I. (Annual real estate tax) receipt. The percentage then to be applied is of 25% of a 2% of the valor catastral, in other words, 0.5% of that value.

That 2% is the imaginary income the Tax Authority deems appropriate, and the tax applied is of 25% on the buyer's imaginary income.

This tax is however due to disappear.

3. Property Wealth Tax

Although possibly not the proper legal terminology, it is a close translation of the Spanish name. This tax is levied on the capital assets, formed mainly by real estate when applied to non-residents. The base for calculating the Tax is the higher of either the assessed value (Town Hall value), the assessed value by the Tax Authority or the declared price shown on the Public Deed of Conveyance when the property was purchased. This real value is almost always the base for calculating the Property Wealth Tax.

Residents for tax purposes are affected differently with regards to this tax. They are required to declare their worldwide assets. However, residents enjoy a reduction on the tax base as well as deductions for debts against a business, mortgage loans on properties and the corresponding tax paid in their own country, as the case may be.

4 Community charges

Almost all properties in Spain are part of a community of owners. This need arises when the property owners own indivisible parts of the complex where the property is located. For example, a communal swimming pool or garden. But also the roof of the building, the beams and the pillars, as well as the paint of the facade. These facilities need to be maintained and therefore a share of the total expense is allocated to each owner. Community charges are not taxes, but they need to be factored in the totals to calculate the annual running costs of the Spanish Property.

Also, community charges are the most protected payments any property owner needs to make. Payment default of merely a couple months may give rise to swift legal action and eventually the auctioning of the dwelling to recover unpaid charges. Again, real estate agencies should be able to provide the buyer with the exact amount of these payments, and whether they are paid on a monthly, quarterly or annual basis. The present article is intended to give some guidance for a prospective purchaser of real estate in Spain. The costs are likely to vary from one area to another, and obviously, increase from a smaller inland property to a larger coastal villa

Any reputable real estate agency will be able to provide you with the base for calculating the annual real estate tax and the property income tax (I.B.I. receipt). Likewise, a figure for community charges can easily be obtained from the real estate agency. The property wealth tax can be calculated on what the real purchase price is, although the figure is likely to be reduced, since more often than not vendors will impose as a primary condition for the sale to proceed that the declared price on the Public Deed of Conveyance is reduced by a fraction.