



Spanish Inheritance Tax

Are you completely aware of the problems your Beneficiaries will face?

Since Wincham has been writing for the Euro Weekly News we have received many enquiries about our company and how our solution can assist Spanish Property Owners with the problem of Spanish Inheritance Tax (IHT). The topic can be a daunting issue which is often ignored and pushed aside with the common misconception that it is not applicable to certain property owners for one reason or another - unfortunately this is not the reality as we have witnessed over circa the past 20 years of Wincham operating in Spain.

To understand IHT implications in greater detail we have included our most frequently asked questions posed by our clients some of whom were equally unaware of their liabilities before contacting us.

Who has to pay Spanish Inheritance Tax?

Most owners do not understand that their Beneficiaries and their Estate may pay IHT in two jurisdictions, Spain and their Country of Domicile. The reason for this is that Spanish law dictates that the individual inheritor is taxed whereas in other countries, like the UK, it is the estate that is ultimately liable. This can often mean that on the death of an owner the Beneficiary is left with a Tax bill that may virtually consume the entire amount of Spanish Inheritance. In addition to this is the cost of Probate in both countries for the Inheritors and deadline of 6 months (in Spain) in which the full Taxes must be paid before further penalties are applied.

Who may own a UK Limited Company?

The services we offer are available to both residents & non-residents of Spain as any Nationality may own a UK Company. Whether you currently own a property in Spain, are about to purchase, or own the property in an Offshore

or SL Company, we have a tried and tested solution of helping to transfer your property into a UK Limited Company eradicating Spanish IHT.

What Capital Gains & Transfer Tax is payable when investing a property into a UK Company?

There is no CGT implication in Spain when you invest your Spanish property into a UK Limited Company, as the Hacienda (Spanish Tax Office) has a method of calculating an investment value based on the original purchase price shown in the Public deed. This figure is then added to the 7% paid at purchase, original Notary fees, plus an indexation for the years the property has been owned. This creates the new investment value into the Company with no CGT in Spain.

Further benefits are available to all clients who purchased their property before 1997, as before this date there was no CGT applicable in Spain and this allowance is calculated into the new investment value. In 2007 however the rules were amended, for each day that the property is owned after 1st January 2007 one day is taken off the Tax free allowance, therefore shortening the Tax free time available for CGT. It is therefore beneficial to utilise this Tax free time now as in the future it will be eventually eroded to zero.

When investing a Spanish property into a UK Company it is important to remember that there is no 7% (or greater dependent on region) Transfer Tax payable on the transaction.

Are there any onward costs involved in running a UK Limited Company?

It is very cost effective to own a UK Company

with 3 main duties required to be performed including the filing of accounts in the UK and the provision of a UK Registered Company Secretarial office. Once a property is invested the individual owners are not required to submit a Tax Declaration (Return) in Spain, instead the UK Company submits a single Declaration once a year which is submitted and filed at zero.

A UK Company must not be confused with an Offshore Company. UK Companies are not subject to an annual 3% Tax in Spain as they are classed as non-Spanish resident Companies, Offshore (i.e. Gibraltar, the Isle of Man etc.) Companies however do attract a 3% annual Taxation from Spain as they are not part of the European Union.

Can I transfer a property into a UK Company if it has a mortgage?

In Spain a mortgage has 2 separate components- 1) a loan made to the borrowers and 2) a charge placed by the lender upon the Public Deed. The mortgage remains attached to the property if it is transferred to a UK Company. Once the property is in the ownership of your Company then the loan repayments can be made from a Company bank account. This bank account will be funded by the Company owners or from income that is generated from the company or property. The advantage is that any interest and other attributable expenses (such as utility bills, car hire etc.) can then be offset against any income to the company.

Does Wincham have the infrastructure in place to deal with this transaction?

Wincham has offices located in the UK, Spain and a team of professionals appointed to assist Spanish property owners originating from Belgium, Luxembourg and the Netherlands.

Our organisation consists of Gestores, Economistas, Lawyers, Solicitors, Estate Planners, Will Writers, Tax Consultants, and Chartered Accountants who are all included in the process and are on-hand to support all of our clients.

What Professionals do I require in Spain after completion?

There is no requirement for a Spanish Will, probate to take place or Lawyers to be appointed in Spain. You only require a Fiscal representative in Spain to submit a ZERO Tax declaration each year for the company, which Wincham can provide.

Can you supply any onward benefits?

We have developed a bespoke online Case Management System for the benefit of all registered clients. This ensures that the progress of a case can be tracked by logging into the personal, secure section of our website and viewing copies of all documentation. Additionally we are able to offer a Cash Book facility which records all expenses in respect of the ownership of the property and Company. For any clients who do not have access to the internet then our offices are always open to meet in person or provide telephone support.

If you would like to know more about our solution and to receive your 'complimentary' Spanish Inheritance Tax illustration please visit www.winchamih.com or scan the QR code below. Alternatively contact one of our advisers on +44 (0)1260 299 700 (UK) or 0034 965 830 991 (Spain).

We aim to provide a friendly and professional service for our Clients with a unique ability to cover their affairs in both jurisdictions with a comprehensive approach.



Want to protect your family from up to 81% Spanish

- Spanish Inheritance Tax Specialists
- Wills and Probate in the UK and Spain
- UK and Spanish Properties
- Sale and Purchase
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Contact us TODAY for advice and information on how we can save you money.

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