

# INHERITANCE TAX TIME BOMB

**Non-Domiciled property owners in Spain are sitting on a ticking IHT time bomb. Most owners do not understand that their Heirs and their Estate will pay IHT in two jurisdictions: Spain and their Country of Domicile.**

**The reason for this is that in Spain, the individual inheritor is taxed, whereas in other countries, like the UK, it is the estate that is taxed.**

**This could mean that on the death of an owner, the surviving partner, or the owner's Beneficiaries could have a Tax Bill that virtually wipes out the entire Spanish Inheritance.**

**Added to this is the cost of Probate in both countries for the Inheritors.**

## **What advice are people given about Spanish Inheritance Tax?**

Most Lawyers in Spain recommend that having a Spanish Will deals with the problem; this is incorrect, as a Will only deals with the issue when there is a death and does not remove the problem of Inheritance Tax in Spain.

Other advice given is that double Taxation treaties between Spain and the UK help with the Tax being reduced.

This is true with identical Taxes but not with Inheritance Tax, as in the UK it is the Estate which is taxed and in Spain it is the Beneficiaries who are taxed.

Do not assume that one Tax can be offset against the other, as they are both totally different taxes on totally different entities.

Other advice given is to re-finance the property as Spanish Inheritance Tax is only paid on the un-mortgaged portion of the property.

This is true but you will have to repay the interest payments for the duration of the loan and ultimately leave it to your beneficiaries leaving them with a debt that they may not be able to afford.

Others advise owning a property with your children or transferring the property in to their names. This may not be a good idea as there could be risks

Once you have placed the property in their names it cannot be reversed and if any of your children become involved in matrimonial issues or Insolvency issues, it could put their part of the property at risk.

If anything should happen and the children died before the parents then the parents would have to pay the tax to get the property back in to their names.

## **Is there a solution to the Inheritance Tax problem in Spain?**

Yes, there is a simple legal way, transfer the property into a UK Private Limited Company.

Under EU law a Company from an EU country can own a property in another EU country and decide which jurisdiction it wishes to be taxed, this can be the jurisdiction of the property or where the Company is registered. The Company only needs a CIF number in Spain.

This is not the same as having an offshore company, as in Jersey, Gibraltar, Isle of Man, etc, Offshore companies are charged an annual Tax of 3% of the value of the property; the good news is this tax does not affect companies in the EU such as the UK.

By owning a property in Spain via a UK Limited Company you have no requirement for Lawyers in Spain anymore as it is all dealt with back in the UK, no probate and no freezing of bank accounts in Spain.

## **You maintain full control at all times.**

You can rent the property, sell it, raise funds on it, just the same as you can right now.

Your new structure is guaranteed safe and effective in removing a potential Spanish inheritance tax bill of 40% - 80% of your asset value.

This is a simple solution, costing less than most probate and legal fees in Spain when there is a death of an owner of property.

## **Would you like to know what its going to cost your beneficiaries to inherit your estate?**

I can do that for you very easily, just by asking a few very straightforward questions. There is no cost for the appraisal. And no obligation

Once I have the facts, I will prepare the appraisal, and our proposal for helping your beneficiaries avoid the problem of IHT in Spain.

The Appraisal simply allows you to see the amount your beneficiaries will owe to the taxman, and the costs of implementing our tax saving structure You then decide in your own time if this is for you.



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