

Spanish Inheritance Tax Enquiries Keep On Coming



This information has been provided by Mark Roach, Company Director and Spanish Tax Consultant. Wincham Consultants Limited

Following the exhibition at the RTN show at the end of May Wincham Consultants have continued to receive numerous enquiries from owners of Spanish properties requesting assistance with their Spanish Inheritance Tax planning. There have been over 100 RTN readers requesting information in relation to IHT in Spain and how to safeguard themselves from IHT by transferring ownership of their Spanish property to a UK Limited Company structure. Our Team of highly trained Consultants can provide, free of charge, a Spanish Inheritance Tax illustration demonstrating the Tax liability of property owners and their beneficiaries, together with a documented proposal of the solution and costs involved.

Please visit our website of www.winchamih.com for details. Wincham has been operating on the Costa Blanca since 1994 helping Clients locate property and purchasing using a corporate structure to combat Taxation in Spain. Since 2005 we have seen a significant increase in the number of people who are concerned about IHT in Spain. Many property owners who left the UK in the 70s and 80s are now looking to address the situation to protect their Beneficiaries. Wincham Consultants who have offices located in the UK and the Costa Blanca specialise in Tax planning for both Residents and non Residents of Spain. The problem is 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 too. Most Lawyers in Spain recommend to Owners 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 Taxation in Spain. Other advice given is that double Taxation treaties between Spain and the UK help with the Tax being reduced, this is true in identical Taxes but these are not, as in the UK it is the Estate which is Taxed and in Spain it is the Beneficiaries who are Taxed. It therefore should not be assumed that one Tax can be offset against the other as they are both totally different taxes on totally different entities. Many Owners are suggested to re-finance the property as IHT is not charged

on the property amount if there is an outstanding mortgage and loan, but this may end up leaving the Beneficiaries with a huge debt they cannot pay off and many lenders will only finance the ownership if suitable life insurance is taken out, so the property is paid for on death and the Tax still becomes due. Owing a property with your children is a favourite, this is not a good idea either as their share of the property may end being at risk through money or marital issues and if they die before the parents then the parents have to pay Taxes to get the property back too. Our solution to the IHT problem in Spain is for the owner/s to Transfer the property to a UK Private Limited Company. There would not be a 7% Transfer tax in Spain on this transaction unlike other property transfer transactions. This method may eradicate all Taxes in Spain in the future, in respect of the property, as under EU Law a UK Company is only Taxed in one jurisdiction, the UK, and no Taxes are payable onwardly in Spain. A UK Company is not an Offshore Company like Gibraltar or the Isle of Man as they are charged an annual Tax by Spain of 3% for not being part of the EU Community. Shares in the UK Company can be dealt with in a UK Will and

depending on the structure of the Company; the Shares may be exempt from Inheritance Tax in the UK. A further advantage of the Company Structure is that attributable expenses such as Mortgage Interest, Council Tax Bills, Water, Electricity, Repairs and Maintenance can all be Tax Deductible by the Company; this may also include car hire and flights for the Directors. Unfortunately if you own a property in Spain in your own name then you are not allowed to offset income against expenditure by the Spanish Tax Authorities. If a purchaser wishes to acquire a property from a seller into a UK Limited Company the purchaser can form a UK Limited company using the Wincham Scheme, with the seller as the Shareholder of the company, the seller can attend the Notary and instead of selling the property to the company they can Gift the property to the Company. In this instance there would be no 7% Transfer Tax to the buyer and no 3% retention to the seller. There is a simple Sale of Shares to complete the deal. This is a simple solution costing less than most probate and legal fees in Spain when there is a death of an Owner of the property. Our unique service is available to all Nationalities

including both Residents and Non Residents of Spain and can be completed within 2 to 4 weeks if required. We have been developing our systems and process for many years and we believe it will not be long until a lot of people start to jump on the bandwagon and join our party as we strive to be the market leader in this type of transaction. Wincham Consultants has been providing this service to Clients for many years and also operates through a number of Approved Consultants who introduce Clients wishing to use this service. Prospective Consultants can attend a two day training course which provides an opportunity to learn how to provide potential Clients with the relevant information regarding both Spanish and UK Inheritance Taxes in respect of Spanish Property Ownership. This is an exciting new opportunity to participate in an emerging and growing market introducing a concept that can only benefit and protect Clients who are failed time and time again by both Spanish and UK professionals as they are unable to advise on more than one jurisdiction. The Clients website where they can register for their free illustration demonstrating the IHT liability can be found at www.winchamih.com



Wincham Consultants Limited, Wincham House, Greenfield Farm Trading Estate, Congleton, Cheshire, CW12 4TR, England.

(Wincham Consultants also have offices located on the Costa Blanca)

Tel: +44 (0)1260 299 700 | Email: iht.info@wincham.com | Web: www.winchamih.com



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