

Tax Insider MONTHLY UK TAX MAGAZINE
 HOW TO BEAT THE TAXMAN AND BOOST YOUR INCOME

search... Username Remember Me Forgot password? Register

Tax Insider DOWNLOAD SAMPLE COPY OF TAX INSIDER, MONTHLY UK TAX MAGAZINE BY TAXATIONWEB
 HELPING UK TAXPAYERS MINIMISE THEIR TAXES

Are there any Tax Advantages in Owning a Property in Spain in your Children's Names?

User Rating: / 0
 Poor Best
 Share on Facebook

Mark Roach of Wincham Consultants highlights some Spanish Tax aspects and Planning Possibilities in respect of Property Ownership in Spain.

Spanish Inheritance Tax (ISD)

I was recently asked by a client, who was purchasing a property in Spain, whether she could place the property in her daughter's name to safeguard against Spanish Inheritance Tax (ISD). This is a suggestion I come across many times, given by Spanish lawyers and advisors, as a method to avoid paying Spanish ISD. In reality this is a popular misconception masquerading as a solution. This strategy does not remove ISD in Spain, and it may leave your children with a 40% tax bill to pay in the UK as well.

The reason behind the suggestion is based on the probability the parent will pass away before the children. If that does happen, the children will not pay ISD because they own the property already. The alternative scenario is not uncommon and infinitely more problematical. If, heaven forbid, the children die before the parent, the parent then has to pay ISD in Spain to inherit the property back – a property that was originally the parent's.

Complications

Another situation worth considering is one where the children do survive the parents but the son or daughter is involved in matrimonial or insolvency issues. This could put their part of the property (or the whole property) at risk. It is very important to remember that all property owners in Spain have to submit a self assessment tax declaration each year irrespective of whether they are resident in Spain or not. This is then a cost which the children have to pay each year and if there are multiple owners of the property then a declaration has to be completed by each person on the deeds. If you combine this with one of the scenarios above then life can suddenly become very complicated.

You must also consider the tax liability back in the UK. As a British Citizen you are taxed on your estate worldwide. If you purchase a property in Spain for (let's say) €200,000 and you place it in your children's names, then in effect you have broadly given them €200,000 in cash to own the property. In the UK this is treated as a gift, and, given you have logged it with a professional in the UK (like an accountant or lawyer), then the €200,000 could be taxed in the UK at 40% if the parent does not survive more than 7 years.

Spanish Tax Planning

Anyone who owns a property in their children's names or jointly with them can in fact request it back. One guaranteed way you can do this without incurring a 7% Transfer Tax on the value of the property or possible Capital Gains Tax (both in Spain) is to **move the ownership of the property into a UK Limited company**. For example, consider a family consisting of mother and father with 2 children, and each person in the family owning a 25% stake in the property. Donating the property into the company and appointing the parents the shareholders of the company will give them complete ownership of the assets again. Furthermore, if the children are over 16 years of age, they can be appointed directors of the company.

EU directives then apply, so once the property is owned by the UK Limited company, taxation in Spain is completely removed. It is much more advantageous then to control shares and assets in the company by drafting a UK Will covering your worldwide assets. In a marriage there is no IHT payable between husband and wife in the UK.

UK Tax Implications

This article has considered Spanish tax aspects of property ownership in Spain. However, it is important to obtain tax advice in the UK as well.



[twitter](#)
[facebook](#)
 BOOK-MARK
 RSS FEED

Information

- Home
- Budget 2009
- Tax News
- Tax Articles
- Expert Eye
- International Tax
 - US Tax
 - General
 - French Tax
 - Belgium Tax
 - Irish Tax
 - South African Tax
 - Spanish Tax
- Personal Finances
- 1 Minute Guides

Help

- Tax Tips Forum
- Tax Clinic
- Find a Professional

Resources

- Important Tax Dates
- Tax Jobs
- Tax Books
- Tax Events
- Newsletter

About

- About Us
- Advertisers
- PressRoom
- Contact Us

PROUDLY SUPPORTING

Low Incomes Tax Reform Group

Tax Books

BOOK OF THE WEEK
 HMRC
 Investigations and Enquiries 2009/10

BOOK OF THE MONTH
 The Blue Book 2009 (Annotated UK Double Tax Treaties)

Finansol Salary v Dividends Calculator

complex tax decisions in 5 clicks

The Dissolution of Private Companies and ESC C16

Hardman's Tax Rates & Tables 2009-10

Ads by Google
Corporate Tax Avoidance
 Free No Fees Corporation Tax Review Up To 90% Income Retention.
 www.Mulburyhamilton.co.uk
Spanish Tax Made Easy
 We Do Your Spanish Tax Returns So As You Can Enjoy Your Property!
 www.Numerological.co.uk

Only registered users can write comments!

About The Author

Mark Roach is a Spanish Tax Consultant and director of Wincham Consultants Limited.

Wincham Consultants Limited is a Division of Wincham Investments Limited which is a proud approved Member of the A.I.P.P (The Association of International Property Professionals)

(W) www.winchamih.com

Article Added Sunday, 08 November 2009

Your attention is drawn to the disclaimer on this site, which applies to the content in this section.



Copyright © 2000 - 2009, TaxationWeb.co.uk

[Terms and conditions](#) | [Disclaimer](#) | [Privacy Policy](#)



TaxationWeb Limited (Registered in England No. 4571386), 6 Coleby Avenue, Peel Hall, Manchester, M22 5HH, United Kingdom

Information which you supply whilst using this website may be held in our computer records and may be used to send you information which we think might be of interest to you. If you do not want your information to be used for such purposes please write to us at: 6 Coleby Avenue, Peel Hall, Manchester M22 5HH, UK, or [email us](#)

Website by Dorifor Internet Marketing

DORIFOR Dorifor Tax Group - our portfolio of tax sites:

