

Notes about taxation for non-resident Real Estate owners in Spain

Owners of Real Estate in Spain are subject to the fulfillment of certain tax obligations, whose failure to pay tax because of ignorance of law might carry proceedings by the Spanish Tax Authorities. That is why we would like to remind you of the main tax figures that you should consider:

➤ **Income tax for non-residents**

Should you be a real estate owner in Spain, you must declare Income Tax annually for any of the following concepts:

- 1) **Real estate income allocation:** You will be taxed for income allocation when the property is not used as main residence, rented or used for economic activities.
- 2) **Income from rented properties:** Income derived from the lease of a residence constitutes earnings from real estate for the lessor. Earnings are calculated by subtracting deductible expenses from income and applying specific reductions, if applicable, to this figure.
- 3) **Real estate economic activities:** Unlike rented property income, the individual is carrying out an economic activity (rental, real estate development, etc.) which requires means of production and human resources. For rental activity specifically, Spanish regulations require at least **one person to be employed with a full-time employment contract** to perform such management.

In any case, the tax rate is 19% for European Union residents, Iceland and Norway, and 24% for other taxpayers.

➤ **Property tax**

An annual fee you pay to your local council where the property is located. This tax applies to the property of individuals.



➤ **Wealth tax**

Non-residents will be taxed in Spain for any goods or rights of their property located therein. The tax details will depend on the taxpayer's place of residence outside Spain:

- Non-European Union Residents. They are subject to State Wealth Tax regulations. There is a tax-free allowance for the first 700.000,00 Euros of Wealth and excess over that amount will be taxed with a progressive tax rate.
- European Union Resident. Wealth Tax regulations of the Autonomous Community where the non-resident has the highest value of the assets and rights in Spain apply. Specifications of the tax (exemptions, tax rate, etc.) may differ in each Autonomous Community.

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