

AUGUSTA  
ABOGADOS

# ACQUISITION OF REAL ESTATE ASSETS IN SPAIN (BY NON-RESIDENTS)



[www.augustaabogados.com](http://www.augustaabogados.com)

## ABOUT US

**Augusta Abogados** is the most recognised mid-market law firm in business law, ranking among the "Top 40" Spanish law firms of reference.

We work with leading medium-sized and large companies, both national and international, by building solid, long-term relationships with our clients and stakeholders, with investment in talent and in accordance with high standards of professional ethics.

- ✓ Business Law
- ✓ International Legal Services
- ✓ Offices: Barcelona, Madrid and Brussels
- ✓ 8 partners and +50 lawyers

The acquisition of real estate assets in Spain, whether for investment, rental, or personal use by a non-resident individual, entails several specific tax obligations. Sometimes, these obligations are overlooked due to a lack of adequate information or because they are unknown to the investor.

At Augusta Abogados, we not only accompany you during the initial phase of the acquisition and due diligence of the property, but we can also advise you on compliance with the subsequent tax obligations:

### PROPERTY NON RENTED

According to the Spanish Non-Resident Income Tax Law, when the property is not rented, the individual owner non-resident in Spain would be taxed on the deemed income which would be calculated by applying 1.1% on the Cadastral value (for properties located at Barcelona, it is 2% in other cities where the cadastral value has not been reviewed recently) without being able to deduct any expenses borne in connection with the building (i.e. maintenance, depreciation and financial expenses).

The tax rate would be 19% for tax residents in the EU (and Iceland, Norway, and Liechtenstein) or 24% for tax residents outside the EU.

Please note that during the first year, this taxable income will be calculated proportionally to the period of the tenancy.



## PROPERTY RENTED

According to the Spanish Non-Resident Income Tax Law, when the property is rented, the individual owner non-resident in Spain would be taxed on the rental income.

If the individual is tax resident in the EU (and Iceland, Norway, and Liechtenstein), he/she will be able to deduct any expense borne in connection with the property (i.e. maintenance, depreciation, and financial expenses) from the rental income in order to calculate the taxable income. Nevertheless, if the individual is not resident in the EU (and Iceland, Norway, and Liechtenstein), he/she will not be able to deduct any expense borne in connection with the property.

The tax rate would be 19% for tax residents in the EU (and Iceland, Norway, and Liechtenstein) or 24% for tax residents outside the EU.

Note that if the property is rented to a related party, arm's length principle should be applied according to the transfer pricing rules, so market value rental income must always be applied.

## WEALTH TAX

The Wealth Tax Law considers as taxpayers by real obligation, those non-tax resident individuals who are holders of assets and rights located in Spanish territory or that could be exercised or should be exercised in Spanish territory. Note that the tax is levied on the net value of those assets, so debt taken on to finance the acquisition of assets and rights located in Spain is deductible when calculating the tax base, provided the debt was taken to acquire the Spanish asset.

A recent amendment to the law also included as taxpayers the non-resident companies not listed on the stock exchange, at least 50 per cent of whose assets consist, directly or indirectly, of real estate located in Spanish territory.

The tax rate is a progressive scale that varies from 0.2% until 3.5% for non-residents and there is a minimum exemption of 700,000 euros in accordance with state regulations applicable to non-residents.

This tax is levied on the value of assets situated in Spain unless exempted by a Double Tax Treaty or by Spanish law. So, the Double Tax Treaty with the country where the individual resides must be analyzed.

## REAL ESTATE TAX (IBI)

Real Estate Tax is levied on the ownership of rural and urban real estate. The taxable base is formed by the cadastral value officially published by the Town Hall and could not exceed the market value of the real estate (it depends on the town, but usually it is lower than the market value). The tax rate is fixed by the local tax authorities. The taxpayer is the owner of the real estate on 1 January of each year. Payment can be domiciled.

# CONTACT US

ACQUISITION OF REAL ESTATE ASSETS IN SPAIN (BY NON-RESIDENTS)

## BARCELONA

Vía Augusta, 252, 4.<sup>a</sup>  
08017 Barcelona  
T +34 933 621 620

## MADRID

Antonio Maura, 18, 2.<sup>a</sup>  
28014 Madrid  
T +34 911 592 323

## BRUSSELS (with IUROPE)

Avenue de Cortenbergh, 52  
1000 Brussels (Belgium)  
T +32 2 808 69 41

AUGUSTA  
ABOGADOS



**Alba Ródenas Borràs**  
Director | Augusta Abogados  
[a.rodenas@augustaabogados.com](mailto:a.rodenas@augustaabogados.com)



**Borja de Abadal Gámiz**  
Partner | Augusta Abogados  
[b.deabadal@augustaabogados.com](mailto:b.deabadal@augustaabogados.com)



[www.augustaabogados.com](http://www.augustaabogados.com)