# Is Your Spanish Property a Ticking Inheritance Tax Time Bomb?

**Potentially crippling tax bills will be faced by the beneficiaries of your Spanish estate, including your spouse. The harsh reality is that your legacy could become a financial burden that your loved ones simply can't pay off. If you are not domiciled in the Canary Islands and you own property here then you are sitting on a ticking inheritance tax time bomb.**

**The question of domicile**

If you own a house here and are not Spanish, the chances are you will be domiciled in your country of origin. It is possible (but not easy) to change your domicile by choice, but only if you intend to settle permanently in another country.

**The facts about Spanish Inheritance tax.**

- In Spain it is the beneficiaries of a will who are taxed, not the estate of the deceased.
- There is no dual taxation treaty on inheritance tax between Spain and the UK. This means that if you are UK domiciled and your **worldwide** estate totals more than £325,000 for an individual or £650,000 for a couple, **tax will be paid on the same Spanish property in both countries.**
- If you and your beneficiaries are not tax residents of the Canary Islands (and this doesn't just mean having your '*Residencia*' or '*Certificado de Registro*') then they will not be entitled to any resident's exemption from Spanish Inheritance Tax (ISD). **This includes your spouse.**
- The assets bequeathed and any bank accounts held in the deceased's name (including joint accounts) will be frozen until all the beneficiaries have separately probated the estate and all taxes have been paid. This means that the property **cannot** be sold by the beneficiaries in order to meet the tax bill.
- Probate costs in Spain are around £5,000 per beneficiary.
- Any tax due must be paid within 6 months of the death or 15 days after probate is granted in order to avoid fines.

A husband leaving half of a jointly owned property in Tenerife worth 300.000€ to his wife would leave her with a debt of at least 23.400€ to pay. On her subsequent death their two grown up children would each have to surrender the same amount to the Spanish tax man (assuming that the property has not increased in value). That is a total tax bill *for the beneficiaries* of more than 70.200€ just in Spain.

**The good news is that you CAN take a positive step.**

There is a legal, straightforward way to avoid your beneficiaries paying ANY inheritance tax, legal fees or probate costs in Spain.

- The objectives are to save death duties (ISD) and legal fees in Spain, make the property easier to deal with for the executors of the deceased's estate, and to retain the maximum value of the property for any beneficiaries.
- Create a UK registered company owned by you for the purpose of owning your property in Spain. Your shareholding is lodged with and noted in your Will in the UK.
- Your property is legally transferred from personal ownership into your UK Company ownership.

All the complex legal work, translations, notarisations and paperwork are taken care of by fully qualified professionals. An identification number for the company will be obtained from the Spanish Tax Office, a Spanish bank account is set up and all of your existing direct debits relating to the property are transferred to it. Plus Valia tax, power of attorney costs, Land Registry fees and a 1% Regional Transfer Tax will be payable where applicable. Once the background work has been completed **all YOU have to do is make one visit to a Notary**, either in the UK or in Spain whichever is more convenient.

**How does this help you?**

- As the legal owner and director of the company you retain full control of the property at all times.
- You can rent out your property, sell it or raise funds on it just as you can with personal ownership.
- The company can claim tax relief on all ownership expenses including electricity, rates, insurance, repairs, Community Fees, mortgage interest and even directors' travel expenses to and from the UK.
- Any rental income will be taxed at the UK Corporation Tax rate – 3% less than the Income Tax rate in Spain – plus you can claim for ownership expenses as mentioned above. **Compared to what you should pay in Spain, this tax saving can be significant.**
- You can divide the company and its assets easily between beneficiaries.
- You can change existing ownership percentages with no additional Spanish transfer costs.
- If the property is your only Spanish asset then there is no longer a need for a Will in Spain. Neither is there any requirement for Spanish probate or legal fees. Everything is dealt with in the UK, thus saving your beneficiaries a nightmare of Spanish officialdom.
- When one of the owners of the company dies the company is simply reorganised in line with your wishes for the shares and assets of the company. **This falls outside the scope of Spanish Inheritance Tax (ISD) *because the company has not died.***
- **There will be no forced sale of the property because no tax bill will need to be met.**

**Are you thinking about buying or selling property in the Canary Islands?**

If you are a buyer and have the co-operation of the seller to invest his or her property into a UK Limited Liability Company before the purchase you could make substantial savings.

This is because the costs of the company formation and property transfer are significantly less than the Property Purchase Tax and legal fees payable when you buy a property in the normal Spanish way.

If you are selling a property and are not a Spanish resident then you may save the 3% retention on sale levied on you by the Spanish tax authorities.

**Do you have a property in the Canary Islands that you let?**

If you are letting a property in your own name (as opposed to that of a registered Spanish business) then you should be paying Spanish income tax at 24% on the gross rentals you receive less a small proportion of your mortgage interest (where applicable). There has been a lot of publicity recently regarding a crackdown by the Spanish Tax Authorities on rental property owners who are not paying tax in Spain. If you are one of these owners then you should be aware of this.

*Instead you could be paying a lower UK tax percentage on the income less all the allowable expenses relating to it – mortgage interest, rates, bills, repairs, insurance etc, and even flights to the Canaries for property owners. The tax saving could be significant.*

**Can you afford not to find out more?**

This is a simple solution costing less than most probate and legal fees in Spain when there is a death of an owner of a property. This method is available to all nationalities regardless of where you live. The process can be completed within 2 to 4 weeks if required.

This is an 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 because they are often unable to advise on more than one jurisdiction. The website where you can find out more and register for a **free personal illustration** demonstrating the ISD liability of your beneficiaries can be found at www.winchamiht.com or Contact Rachael Bayliss on:

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