



# Wealth Planning - Individuals living in Spain

June 2010

## Spain – Tax overview 2010

<u>Topics</u>	<u>Tax rate</u>	<u>Comments</u>
General income	24-43%	E.g. employment income and pension
Savings income	19-21%	E.g. dividends from listed and unlisted shares, interest, proceeds from life insurance products
Capital gains	19-21%	E.g. securities and properties
Wealth tax	0%	Abolished with effect from 1 January 2008
Inheritance tax	7.65 – 34%	Effective tax rate may increase significantly

Source: IBFD 2010

## Spain – Income tax 2010

Residents are taxed on their worldwide income

- E.g. salary, bonus, pension

<u>From EUR</u>	<u>To EUR</u>	<u>Rate</u>
0	17,707	24%
17,707	33,007	28%
33,007	53,407	37%
53,407	Forward	43%

Source: IBFD 2010

Minor variations in tax rates may apply in the different autonomous regions.

## Spain – Savings income and capital gains 2010

Residents are taxed on their:

- Worldwide savings income and capital gains
- The first EUR 6,000 is taxed at a rate of 19%. Any excess is taxed at a rate of 21%.
- Capital gains from the sale of main residence is tax exempt if the seller is more than 65 years old
- Special tax regime applies on assets acquired prior to 31 December 1994.

## Spain – Inheritance tax 2010

### The heir is resident in Spain

- Spanish inheritance tax on the global inheritance

### The heir is not resident in Spain

- Spanish inheritance tax only on Spanish sourced assets

- In general inheritance tax is imposed on the net value of the assets inherited and additional allowance may apply.
- The inheritance tax may vary between the different autonomous regions for residents.

## Spain – Inheritance tax 2010, continues

The effective tax payable can increase significantly by an additional surcharge depending on the net wealth of the heir prior to the inheritance and the heir's relation to the deceased, e.g.:

- up to 41% (maximum) for spouses and children
- up to 82% (maximum) for unrelated persons

From EUR	To EUR	Rate	Acc.Tax
0	7,993	7,65%	612
7,993	15,980	8,50%	1,290
15,980	23,968	9,35%	2,037
23,968	31,955	10,20%	2,852
31,955	39,943	11,05%	3,735
39,943	47,930	11,90%	4,685
47,930	55,918	12,75%	5,704
55,918	63,905	13,60%	6,790
63,905	71,893	14,45%	7,944
71,893	79,880	15,30%	9,166
79,880	119,757	16,15%	15,606
119,757	159,634	18,70%	23,063
159,634	239,389	21,25%	40,011
239,389	398,777	25,50%	80,655
398,777	797,555	29,75%	199,291
797,555	Forward	34,00%	

## Spain – Wealth Planning, examples

- Individual Capital Assurance
  - by using the correct structure your tax situation could be optimized
- Mortgage loan on Spanish property
  - to reduce the net value of Spanish property
- Wealth outside Spain
  - could be considered if the heirs are living outside Spain
- Existing or new will
  - the division of your estate – who will inherit you?

Please note that appropriate wealth planning is an individual matter!

## Spain – Individual Capital Assurance (ICA)

- No tax on gains or income arising from the ICA, provided that no surrenders (withdrawals) are made
- Surrenders/withdrawals from the ICA
  - 19-21% tax on the part corresponding to the increase in value
  - No tax on the part treated as repayment of capital
- Inheritance tax can be reduced, e.g.:
  - Between spouses, and
  - No Spanish inheritance tax for beneficiaries living outside Spain
- No “exit” tax when leaving Spain



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