

THE RAISE OF THE SPANISH CGT ON 1.01.2015 OR WHETHER YOU SHOULD TRANSFER YOUR PROPERTY BEFORE THE YEAR ENDS!

Although the applicable tax rates to the capital gain made by a non resident as a consequence of the transfer of his property in Spain will be reduced as from 1 January 2015, it is likely that the final tax liability will be higher than if he transfers it during 2014.

The reason behind this apparent incongruence is that from 1 January 2015, it will not be possible to reduce the taxable difference between transfer price and acquisition price. According to the regulation currently in force, the purchase price can be updated for calculation purposes by applying adjustment coefficients that take into account the increase of the general index price and the increase of the theoretical value of the property. By doing this, the gap [transfer price - purchase price] is reduced and so the taxable base.

Therefore, although the tax rate will drop from 24.75% to 24.00%/20.00% depending on the specific circumstances, the taxable base to which this percentage has to be applied to calculate the tax liability will be increased.

As a consequence, provided a non resident expects to make a capital gain derived from the transfer of his Spanish property, it will be generally tax - efficient to do so during 2014 unless it was recently acquired. In any event, it is necessary to analyse each particular case to determine whether or not it would be advisable to sell before or after the end of 2014.

*If requested, Scornik Gerstein's Tax Department will be happy to assist you in determining whether to transfer your real estate property in Spain during 2014 or wait until 2015 to do so.*