

## **IS REALLY ADVANTAGEOUS TO BUY A PROPERTY THROUGH A SPANISH LIMITED COMPANY?**

In order to find an appropriate answer for this question, we must start from the assumption that a non-resident in Spain intends to acquire a property and control the expenses, as far as possible. The non-resident will be obviously interested in the choices that he/she has.

Firstly, we must make it clear that every purchaser, whether a resident or a non-resident, pays the same taxes when he/she acquires a property in Spain. The Reader who has already experienced this sort of transaction already knows that the purchaser who buys a second-hand property must pay 7% purchase tax on the declared price and also Notary and Land Registry fees.

If the purchaser acquires a new building, he/she must pay 7% VAT on the declared price, 1% stamp duty and also Notary and Land Registry fees. We must also take into account that this rate of VAT will differ depending on the purchase of a plot or a building.

But what happens with the seller? The seller must pay the “Plusvalía”, tax collected by the Town Hall where the sold property lies. In the same way, he/she must pay his/her capital gains, with tax allowances when he/she have bought the property before 1994.

At this point, we must ask the following question: is it really advantageous to sell a property as a resident or as a non-resident? The differences are substantial: the vendor, resident in Spain, who sells before one year from the date of purchase, will pay a scale from 15% to 45% depending on his/her income that year. Nevertheless, if he/she sells after one year from the date of the purchase, he/she will pay only 15% on capital gains.

On the other hand, the vendor, non-resident in Spain, will pay always 35% on capital gains, whether before or after one year from the purchase. The purchaser will also retain 5% of the declared price on account on the payment of his/her capital gains.

As we have seen, it is more advantageous to sell as a resident. But, which choices has a non-resident to decrease the expenses in the sale of a property in Spain? Without doubt, one of the best options is to set up a Spanish Limited Company and buy the property through it. When a Limited Company sells before one year from the date of the purchase, it must pay 40% on capital gains. But, if it sells after one year of the date of the purchase, it will pay **ONLY 15% ON CAPITAL GAINS**, as it were a resident (it is actually a “resident” in Spain, as it has its domicile in Spain). It will have also another advantage: the purchaser will not retain 5% of the declared price on account of its capital gains.

Another fiscal advantage would be related with the fact where someone inherits a property owned by a Spanish Limited Company. The differences between this possibility and the possibility to inherit a property owned by a non-resident can be huge depending on the particular cases.

To conclude, we must add that it is not always advisable to buy a property through a Spanish Limited Company. Summarizing, we would recommend a Limited Company when two circumstances come together: when the property has a value higher than 300.000 € and the purchaser has no intention of becoming resident in Spain.

With this concise article we hope to help you in your decision about the most efficient way to acquire a property in Spain. You must of course take into consideration that this article does not substitute the specialised and professional advice, where we would study your concrete possibilities and we would look for the most convenient choice for your particular case.

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