

**TAX ALERT**

**September 2011**

**Reintroduction of Spanish Wealth Tax**

The Spanish government, by means of the recent Royal Law Decree 13/2011, 16<sup>th</sup> September, has approved the reintroduction of the **Spanish Wealth Tax** on a temporary basis for tax years **2011 and 2012**. This tax was established by Law 19/1991, 6<sup>th</sup> June, and was in force until December 23<sup>rd</sup> 2008, when Law 4/2008 abolished the filing obligations and established a 100% reduction on the tax due.

Please note that, although the previous Spanish Wealth Tax Law would be fully applicable, the Royal Law Decree 13/2011, of September 16<sup>th</sup>, has introduced certain changes in the tax regulation.

Below you will find a brief summary of the amendments introduced in the above mentioned Royal Decree:

**I. Taxable periods**

Taxpayers under personal obligation (individuals), non – Spanish residents under personal obligation and other tax payers under real obligation would be liable to the Spanish Wealth Tax for the years 2011 and 2012.

As per the years beginning January 1<sup>st</sup> 2013, a 100% tax reduction has been introduced.

**II. Tax filing obligations**

The obligation of submitting the Wealth Tax Return for the years 2011 and 2012 has been re-established in the following cases:

- When there is tax liability (payment obligation).
- When there is no tax liability but taxpayer's rights and assets value exceeds 2.000.000,00 Euros.

Spanish Wealth Tax Return, in principle, shall be submitted and paid at the same time Spanish Personal Income Tax Return:

- 2011 Wealth Tax Return should be submitted and paid by June 2012.
- 2012 Wealth Tax return should be submitted and paid by June 2013.

### III. Taxable base

According to the Spanish Wealth Tax Law, Spanish tax residents are taxable on their worldwide net assets that are defined as the total assets, rights and debts irrespective of the place where they are located<sup>1</sup>; while for non – Spanish tax residents the tax is only levied upon property and other assets situated, fulfilled or that should be exercised in Spain.

For both Spanish or non Spanish tax residents, the Wealth Tax taxable base shall be reduced in 700.000 Euros (minimum exemption). Please note that regional governments are entitled to decide their own exempt minimum.

The exempt minimum scope has been increased. Now non – Spanish tax residents are also eligible to apply the exempt minimum for years 2011 and 2012.

<b>Exempt minimum applicable</b>	<b>Before 18.09.2011</b>	<b>From 18.09.2011 <sup>2</sup></b>
Spanish tax residents	108.182,18 Euros	700.000,00 Euros
Non- Spanish tax residents	0,00 Euros	700.000,00 Euros

### IV. Habitual dwelling exemption

The taxpayer’s habitual dwelling will be exempt to taxation up to a maximum amount of 300.000 Euros in the taxable base.

<b>Habitual dwelling exemption</b>	
<b>Before 18.09.2011</b>	<b>From 18.09.2011 <sup>2</sup></b>
150.253,03 Euros	300.000,00 Euros

### V. Representative for Non – Spanish tax residents

Non Spanish tax residents shall be obliged to designate a representative in Spain (*legal entity or individual*) for the fulfillment of the obligations related to the Wealth Tax when they operate through a permanent establishment or when required by the Spanish Tax Authorities due to the amount and characteristics of the taxpayer’s wealth located in Spanish territory.

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<sup>1</sup> Taxpayers under the Spanish Special Tax Regime for Expatriates to Spain would be subject to the Spanish Wealth tax as non – Spanish residents.

<sup>2</sup> This regulation has been published in the Official State Gazette on the 17<sup>th</sup> of September and has full effect from September 18<sup>th</sup> 2011 and would be applied to 2011 and 2012’s tax periods.

They shall be obliged to communicate this designation no later than the end of the filing deadline for this tax. In this sense, penalties would be in force for taxpayers that fail to provide this information to the Spanish Tax Authorities.

#### **VI. Tax Reduction for Ceuta and Melilla**

The assets and rights located or that could be exercised in Ceuta or Melilla shall entitle the taxpayer to apply a 75% tax reduction on the portion of the tax due that proportionally corresponds to the above mentioned assets and rights.

This tax reduction shall not be applicable to those taxpayers who do not reside in Ceuta and Melilla, unless the reduction is referred to participations or shares of entities domiciled or permanent establishments located in those cities.

Should you require any additional information, please contact one of the following tax specialists:

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