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RTN LEGAL

If Spanish Inheritance Tax has been abolished in the Valencian region then do I need to be concerned?

IT IS INEVITABLE that the estates of both Spanish residents and non-residents will become subject to Spanish inheritance tax upon death. Unlike in the UK however, Spanish inheritance tax is paid by the beneficiaries (e.g. a surviving spouse or son/daughter) rather than the deceased's estate. This can cause very real problems for the beneficiaries, particularly since the assets (the largest part of which is most commonly a house) cannot be sold in order to raise the money to pay the tax due.

■ Where the deceased and beneficiary have been tax resident in the Valencian region for at least 5 years, and are close relations such as spouses or children, it is true that in most cases the Spanish inheritance tax due will be significantly

reduced. The amount of inheritance tax payable is calculated according to the relationship between the deceased and the recipient although it is not possible to set out the various different bands in this article. A tax return has to be completed and sent to the Spanish tax office and the necessary taxes paid. Failure to pay the amount due within six months of the date of the death will (subject to very limited exceptions) result in additional taxes and interest being charged. Some people have asked me whether by altering the distribution of their Spanish assets (eg by leaving assets to various persons rather than simply their spouse) they can make their Will more tax effective. Whilst this may be possible in certain limited circumstances, my advice is generally that you should concentrate on ensuring that the

beneficiaries are those you would want, rather than structuring everything to minimise the tax payable.

■ Another question I am often asked is whether lifetime gifts can be made in order to reduce Inheritance tax payable. In the UK the basic rule is that a lifetime gift can be made and, provided the giver survives seven years from the date of the gift, the recipient will not be required to pay UK Inheritance tax on the amount received. Unfortunately this is not the case in Spain, and a lifetime gift generally attracts Spanish Gift tax. **It may be possible in certain cases to gift the Spanish property to a newly formed English company although this is beyond the scope of this article.**

■ Spanish inheritance tax is a complex subject and professional advice

should be taken at an early stage to ensure that your affairs are in order, and the taxes kept to a minimum wherever possible. To quote the now famous words of Benjamin Franklin, 'But in this world nothing is certain but death and taxes'. Mr Franklin is now dead, and given that he was the tenth son of a man who fathered 17 children, he probably knew from an early age that both death and taxes would become regular features during his lifetime.

■ For the majority of people these are issues to face a handful of times at most and I would be pleased to discuss your personal circumstances. You can call me on 966-426-185 or send an email to info@white-baos.com if you wish to discuss this or any other issue.

Written by The RTN Spanish Lawyer: Marc White LL.B. (English Solicitor) C/Diana 19, 2º-D, 03700 Dénia (located close to the Glorieta Square at the end of Marques de Campo). © White & Baos Abogados 2008 - All rights reserved.

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EVERYDAY SPAIN

BY TINA TAIT

ARE YOU A RESIDENT IN SPAIN AND THINKING ABOUT BUYING A CAR IN THE UK AND BRINGING IT HERE?

HERE IS WHAT YOU SHOULD KNOW:
As a result of the current economic crises, many ex-pats are opting to purchase a car in the UK and bring it to Spain as a way of saving money. With the poor exchange rate, it is possible to purchase a newer vehicle in the UK for less than its equivalent in Spain.

- However, buyer beware! There are additional costs to pay when you bring over the vehicle for Spanish registration. If you are a resident in Spain and buy a car from the UK, it is treated in the same way as a Spanish person living in Spain importing a car from the UK.
- You will have to pay 'trafico' fees for matriculacion, road tax and number plates. You will also have to pay a tax based on the co2 rating of the vehicle. So the higher the co2 emissions the higher the tax, and it can be as high as 14.75 per cent. This will be based on the current value of the vehicle in Spain. Second hand cars in Spain tend to be valued much higher than in the UK.

THE CO2 BANDS ARE AS FOLLOWS:

- Up to 120g/km = 0%
- from 120g/km to 160g/km = 4.75%

- from 160g/km to 200g/km = 9.75%
- more than 200g/km = 14.75%

(This information may be found on the vehicle's UK logbook for newer cars only).

- **For example**, for a Renault Scenic first registered in 2005 with a Co2 emission of 205g/km and valued in Spain at 11,592€, you would pay tax of 14.75% totaling 1,709.82€.
- You will also have to pay for the import ITV (MOT) which is different from the regular ITV. The import ITV costs approximately 200€ because they will translate your logbook and make a Spanish "ficha tecnica".
- In most cases, the headlights will need to be changed, and you may be required to remove non factory issued elements such as tow bars and chrome bumpers or obtain certification. Fog lights can also be an issue if you only have one and it is on the 'opposite' side of the vehicle. The ITV can also require you to have an engineers report (homologacion) depending on the model, age of the vehicle and your residence status.
- If you trying to import a van, these are normally classed as commercial vehicles and you will need to show that it is being transferred into a business here in Spain. Larger vans

without rear windows normally cannot be imported due to visual restrictions.

- If you have just moved to Spain and don't have your residency or a padron, you may be able to bring the vehicle in without having to pay the co2 emissions tax.
- If this is your case, you will need to apply for a certificate from the British consulate. Unfortunately, as of this year, Spain has closed to time frame to get this completed. The maximum time period is two months. Some people find it impossible to process paperwork within this time frame, in the correct order, if they have opted to do all the paperwork themselves, so they miss their window. This is where experts such as the Help Centre can be invaluable. We have done hundreds of car transfers and know the exact process and the most cost effective solution for you.
- Several of our clients have literally saved thousands of euros simply because they contacted us first and processed the paperwork in the correct order. Last month, one of our clients saved 12,000€. He didn't pay the tax man; why should you?
- Log onto our website and fill in our online form for a free quote or contact us by email or telephone.

IF YOU HAVE A QUESTION, COMMENT OR PROBLEM YOU NEED HELP WITH PLEASE CONTACT US BY: TEL: 968 33 66 06
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