

Spanish Tax Update

The so called property holding companies (Sociedades Patrimoniales) created by the previous Government in 2003 have seen their last days. Under current proposals these types of companies, which could advantage of a lower rate of tax on capital gains (15%), will cease to exist for tax purposes by the end of this year. (i.e. 2006 will be the last tax year where this rate of tax will be applied). In future the proposed reduced single rate of Corporation tax of 25% will apply. It is expected that the authorities will grant special dispensation from stamp duty and transfer tax, when the companies are wound up.

New money laundering legislation has been introduced which seeks to tighten the control over bank transfers. In addition a new tax office department has been set to supervise the transfers of property in Spain. This department will maintain a close working relationship with the notaries, who will be required to provide details of all transaction online.

Local authorities will be required to register new properties under construction for property tax (IBI), before the building licenses are issued.

Management fees within groups of companies will now be required to be calculated on the basis of market values.

The amount of cash that can be brought into or taken out of Spain within having to make a declaration to the customs authorities has been raised to 10.000€.