

YOUR DREAM HOME IN SPAIN - A POTENTIAL DEATH TAX NIGHTMARE?

WITH THOUSANDS OF UK RETIREES CURRENTLY LIVING IN SPAIN OR OWNING HOLIDAY HOMES THERE, THE SUBJECT OF INHERITANCE TAX ON DEATH IS ONE THAT NEEDS TO BE GIVEN VERY CAREFUL CONSIDERATION.

It is easy to overlook the implications of Spanish law and taxes, and how this may affect your future heirs and the value of your new Spanish investment.

Many UK buyers believe that upon their death, their Spanish assets would pass automatically to their spouse tax-free or be disposed of in accordance with their wishes as outlined in their will. Another assumption many people make is that they will automatically avoid the issue of Inheritance Tax if they are living overseas.

However, this is not the case.

UK legislation states that if you are UK-domiciled you are subject to Inheritance Tax on your worldwide assets. If you renounce UK domicile, you need to acquire a new domicile in Spain.

Once you are domiciled in Spain, you will be subject to Spanish Inheritance Tax on all of your assets. Under Spanish law, if a property is owned in joint names and one of the spouses were to die, the surviving spouse would inherit the deceased spouse's share which would be subject to Inheritance Tax, which in Spain is charged incrementally between 7.65% to 34%.

[Source: <http://www.marbella-lawyers.com/index/articles/showArticle/spain-inheritance-tax>]



From left to right - Robert Forster, Managing Director, Paul Kirwin and Jonathan Finlay, Finance Director

This must be paid within six months of death, but the property cannot be sold, or have ownership details changed until the tax has been paid.

In the UK, where assets pass to the surviving spouse, who is also UK-domiciled for Inheritance Tax purposes, there would be no charge to Inheritance Tax as this would be an exempt transfer.

Robert Forster, Managing Director of Kellands (NI) Ltd observes that "for Spanish property owners, planning to leave the UK to live there temporarily or permanently, it is absolutely vital that you need to seek expert tax and financial advice and have the right arrangements and services in place.

"Traditional offshore havens - such as the Isle of Man or Channel Islands - are not EU member states and consequently cannot 'passport' such investments to other EU states under European law. Using a European state such as Luxembourg would give tax

advantages if you subsequently chose to remain domiciled in the UK.

"Due to the projected increase in Britons retiring abroad, and the consequent gap in professional planning, we have now appointed Paul Kirwin as Kellands manager in Spain. Paul has many years of property and financial experience there, but will now focus on coordinating expatriate property owners' requests for advice with our tax and investment team here in Belfast."

Paul says: "I am delighted to be joining Kellands (NI) Ltd to help maintain the Spanish dream by bringing Robert and his team in Belfast into the advice process so that UK owners can enjoy their homes in the sun without the threat of punitive taxation on their death."

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