

SPAIN'S PROPOSED 100% PROPERTY TAX RISE

What international buyers need to know

Speaking to international property buyers in Spain, we know that many are concerned after reading alarmist headlines about huge tax rises on Spanish property purchases. Here, based on current plans before Spain's parliament and expert analysis, we separate fact from fiction.



What's the story?

The Spanish government has proposed a new "Complementary State Tax on Real Estate Transfers". This targets non-EU, non-resident buyers of resale property in Spain, with a new purchase tax of 100%.

Why is this tax being proposed?

The Spanish government claims that international buyers are contributing to housing unaffordability and price inflation. Prime Minister Pedro Sánchez claimed in a speech that he was moving against "these non-resident, non-EU foreigners, who don't live here or their families, from being able to buy these houses and apartments in our country, as they are solely speculating with these properties." So the proposed tax is mainly aimed at deterring people renting out those properties for financial gain, while not living in Spain themselves.

Which tax is being proposed to rise?

Interpretations vary, and this is crucial. As drafted, the legislation document published in May implies the tax would be levied at 100% of the taxable base, i.e. the value of the property. This could be the cadastral value or the market/purchase price. That would double the cost of the property.

However, that would be so draconian, that other interpretations are that it would be a 100% rise in the current purchase tax, known as ITP. This is currently between 6% and 10%. In which case, for example, a rise in the purchase tax in Andalusia from ~7% to ~14% and in Madrid, Valencia and Catalonia, from ~10% to ~20%.

Who would have to pay?

Under the proposals, to be liable for the tax you would need to fulfil all three criteria:

- Not an EU citizen. So, British, US, Canadian, Australian, Moroccan, etc.
- Not a legal resident in Spain.
- Buying resale property (not new-build or off-plan).

In 2024 figures that would be around 7,000 UK purchasers and 1,500 US purchasers

Can they do that?

Possibly not. This is just a proposal and hasn't been passed into law. The Spanish Parliament is still debating it.

- The ruling PSOE party lacks a parliamentary majority, and many coalition partners, opposition parties and regional governments oppose the bill.
- Critics argue it's discriminatory and likely illegal under EU and international law.

It is likely to face legal challenges based on:

1. Spanish constitutional law (discrimination based on nationality)
2. EU capital movement regulations
3. Bilateral treaties protecting foreign investors

Verdict: It is unlikely to pass in its current form.

But suppose it does pass?

It is likely that even if some sort of tax increase passes, it will be in a highly watered-down format, more specifically targeting investors rather than holiday home buyers. This already happens in many parts of Spain, limiting how many properties non-residents can buy or imposing higher VAT. Also bear in mind that many countries, including the UK, impose higher purchase taxes on second home buyers. It is not unusual or a reason to abandon your plans. Any tax rise that did pass would not happen until late 2025 or early 2026, giving plenty of time to make provision for it.

In which case, what could I do to escape paying it?

If you're buying a second home or investment property:

- **Act sooner** to avoid potential future tax exposure.
- **No new taxes apply today.** You're buying under current rules.

If you're moving to Spain permanently:

- **Gain Spanish residency before purchasing**, and you're exempt from the proposed tax either way.
- **Choose a new build property**, which would be exempt.

There are also structuring options, such as purchasing through a Spanish company. Either way there will be plenty of time to seek legal advice.

What about currency risks?

Buying abroad also means exposure to foreign exchange fluctuations, which can significantly affect the final cost of your home.

With **Smart Currency Exchange**, you can:

- **Lock in exchange rates to protect your budget.**
- **Get expert guidance on timing your transfers.**
- **Avoid the high fees and poor rates typical of high-street banks.**



OUR RECOMMENDATION

- Don't be spooked by headlines. Keep calm and carry on. This tax is still speculative.
- Stay informed, especially if your timeline runs into 2026.
- Speak to a Spanish lawyer recommended by **Your Overseas Home** or a **Smart Currency expert**.
- Visit youroverseashome.com for guidance
- Contact a Smart Currency specialist on spain@smartcurrencyexchange.com



Call Smart Currency Exchange on +44 207 898 0541 or visit smartcurrencyexchange.com