



**DAVIES ABOGADOS**  
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## **Inheritance tax Guideline in English for residents in the Murcia Region:**

**(and since the sentence of the ECF of 3rd of September of 2014 for non residents who inherit assets in Murcia if the estate and the deceased did not have a closer connexion to a different region of Spain)**

Beneficiaries of Spanish estates ( Spanish nationals and residents in Spain) pay a different level of inheritance tax depending on what region of Spain they live in as each regional government has created extra exemptions for those living in their region.

Since the sentence of the ECJ of 3rd of September of 2014 non residents of the European Union who inherit assets in Spain will be entitled to claim the exemptions of the regional government that offers the closest connexion to the estate if this is in their benefit. (this is because the European Court of Justice considered that non residents where being discriminated).

When is inheritance tax due in Spain?

Where the heirs live within Spain can make a big difference to Inheritance tax. Murcia up to 2013 was attractive. Now careful tax planning with the will is necessary.

IF YOU ARE NON RESIDENTS, MAKE SURE YOUR SOLICITOR APPLIES THE CRITERIUM OF THE EUROPEAN COURT OF JUSTICE. YOU ARE ENTITLED TO THE SAME EXEMPTIONS AS RESIDENTS .



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Spanish inheritance tax forms need to be presented always if the heir is resident in Spain. If the heir is non resident in Spain he or she will only declare the assets situated in Spain at the date of death (the exception to this is life insurance payment made by a foreign life insurance company that operates and contracts in Spain with Spanish residents).

In Spain tax is calculated and paid by each heir and not by the estate.

Where do you pay your tax ?

If you are a non resident beneficiary you pay to the Agencia Tributaria, (in Madrid) while if you are a resident beneficiary you pay to the regional government (tax office of the Comunidad Murciana). It is done by self assessment. Since the sentence we have a crazy situation where if you are a nonresident you have to pay the national tax office (Agencia Tributaria), but applying the extra exemptions offered by the corresponding regional government, in this case Valencia.) The trouble with this is the forms are by self assessment so the solicitor will need to take care in claiming the extra exemption offered by the regional government of Murcia of which the most important one left is the 99% exemption for descendants under 21).

If on a single estate you have one beneficiary resident in San Javier (Murcia) and one in London, they will have to present one declaration in Madrid and one in the Comunidad Murciana. Get this wrong and you are looking at a problem of biblical proportion.

Tax payable

TWO GOOD REASONS TO SPEAK TO US:

- 1. TO MAKE SURE YOUR WILL COMPLIES WITH DIRECTIVE 650/2012 THAT COMES INTO FORCE AUGUST 2015.
- 2. TO ADJUST YOUR TAX PLANNING TAKING INTO ACCOUNT THE CONSEQUENCES OF MURCIA CHANGING ITS EXEMPTION RATES.



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The amount payable by each heir depends on a number of factors such as:

- Value of asset inherited
- Relationship between deceased and beneficiary
- Pre-existing wealth of the beneficiary

Calculation of inheritance tax is done in 4 steps.

1. We determine the value of what each heir is called to inherit. (Please read the article on benchmarks regarding valuation of property). If you are the Spouse or children and you lived in the same home as the deceased at least 2 years before the death you can reduce the value of the house or part of it by 95% with a maximum reduction of 122606 euro . Please note that this exemption has strings attached.(you need to stay in the house for the following 10 years).

2. We establish the exemption which will depend on the family relationship with the deceased: Group I - Children & adopted children of less than 21 years of age exempt amount 16000 euro.

Group II - Children & adopted children of more than 21 years of age, spouse, parents, grandparents exempt amount 16000 euro.

Group III – Brothers, sisters, aunts, uncles, nieces, nephews & step children (not adopted) exemp amount 8000 euro.

Group IV– more distant relatives and strangers. (No deduction).



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There are additional exemptions in cases of incapacity, under age children and family businesses.

Different parts of Spain have created extra exemptions for the residents in their jurisdictions. Unfortunately Murcia did away with many of these reductions in 2013 as a measure to fight the deficit during the credit crunch (Law 6/2013 of 8th of July of 2013). Group I heirs still have a reduction of 99%. In other words grandchildren can be good heirs for tax planning.

3. We apply the sliding scale to what each heir receives:



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Tax base	Tax	Marginal %
0	0	7.65
7,993.46	611.50	8.50
15,980.91	1,290.43	9.35
23,968.36	2,037.26	10.20
31,955.81	2,851.98	11.05
39,943.26	3,734.59	11.90
47,930.72	4,685.10	12.75
55,918.17	5,703.50	13.60
63,095.62	6,789.79	14.45
71,893.07	7,943.98	15.30
79,880.52	9,166.06	16.15
119,757.67	15,606.22	18.70
159,634.83	23,063.25	21.25
239,389.13	40,011.04	25.50
398,777.54	80,655.08	29.75
797,555.08	199,291.40	34.00

4. We apply a multiplier to the final amount which will depend on the relationship with the deceased.

Group I and II: Multiply the amount by I.  
Group III : Multiply the amount by 1,5882



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Group IV: Multiply the amount by 2.

If the pre-existing wealth of the heir is over 402678 euro then the multiplier can be higher still.

And now for the big reduction that makes the Murcia Region such a fantastic jurisdiction for group I heirs (descendants under 21) If we are in Group I we finally reduce the bill by 99%. This reduction up to 2013 existed for spouses and grown up children but is no longer the case.

Spanish law requires that an inheritance be declared and all taxes paid within 6 months of death. A six month extension can be requested if done so within five months of the death.

Surcharge & interest on late payment

Number of months late in making payment	Surcharge/Interest
0 to 3	5%
3 to 6	10%
6 to 12	15%
12 +	20% + statutory interest

You need to present your self assessment of tax within six months.



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**We are will writing experts.if you need to make a new will to comply with directive 650/2012 before it comes into force in August 2015, contact us today.**

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