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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. Dying in Murcia can be much cheaper than dying in Andalucia.

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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IF YOU ARE A NON
RESIDENT SPOUSE
OR DESCENDANT
OF SOMEBODY
WHO HAS
DECEASED WITHIN
THE LAST FOUR
YEARS AND SIX
MONTHS YOU CAN
PROBABLY CLAIM
ALL OR PART OF
THE INHERITANCE
TAX YOU PAID
WHEN YOU
INHERITED IN
MURCIA

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).

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

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

- Value of asset inherited



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- 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 150000 euro . Please note that this exemption has strings attached.(you need to stay in the house for the following 10 years). The other possibilities that Murcia offers us in the form of exemptions etc. normally makes this exemption not a good idea is in most occasions you end up paying not tax with ought having to stay in the house for such a long time.

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 in Murcia Region :100000 euro.

Group II - Children & adopted children of more than 21 years of age, spouse, parents, grandparents exempt amount Murcia Region 100000 euro.

Group III – Brothers, sisters, aunts, uncles, nieces, nephews & step children (not adopted) [deduction EUR7,993.46]

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. In the Valencia Region group I and II heirs are entitled to 100000 euro tax free.

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 (a particularly favorable jurisdiction for inheritance tax). If we are in Group I or II we finally reduce the final tax bill by 75%.

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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