

Real Estate Investment in Spain

Regulations and Advantages

seegman 

Services





Introduction

Real estate investment in Spain - particularly since the end of the economic crisis - is one of the sectors of the national economy that has contributed most to the country's development and continues to be one of the great engines of recovery and growth of the Gross Domestic Product.

Within the real estate sector, *retail* sales, aimed at the individual (individual or family, even small businesses) who decides to invest in real estate, represent between 37% and 40% of investment in this sector.

The possibilities of making the investment profitable, both from the financial and migratory point of view, make it more meaningful than ever to put money into the real estate business. And this is true whether the investment is residential, for personal use, for seasonal or touristic leasing, housing for student rentals, or small and medium sized commercial or office space. Naturally, the profile of the investor will be different in each case, as will the amount of the investment and the consequences thereof.

Main structures to invest in Spain

Investing in real estate, in Spain as in virtually any part of the world, can be very simple. Naturally, the types of investors and subsequently the corporate vehicles can become progressively more sophisticated, depending on the investor's business purpose and the amount to be invested.

One of the most relevant characteristics to be taken into account when making an investment, is the fact that, well structured and adequately supported, real estate investment in Spain allows (or may eventually allow) the individual investor to obtain Spanish residence and, depending on the circumstances, eventually nationality.

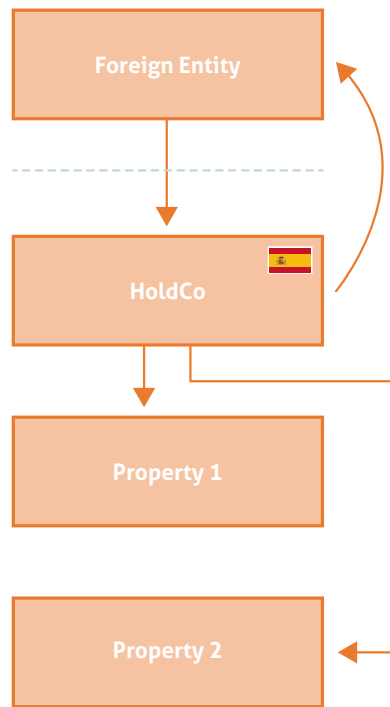
For corporate investors there are also alternatives and benefits:

- 1 Holding companies.**
- 2 Entities for Housing Rental (*Entidades dedicadas al Arrendamiento de Vivienda*) (EAV).**
- 3 Real Estate Investment Companies (*Sociedades de Inversión Inmobiliaria*) (SII).**
- 4 Direct investment in rental property.**

1

Holding companies

One of the main options for investing in the real estate sector in Spain is through a Spanish holding company, owned by a foreign entity. The holding company would own one or more real estate investments.



Advantages and disadvantages of this type of structure:

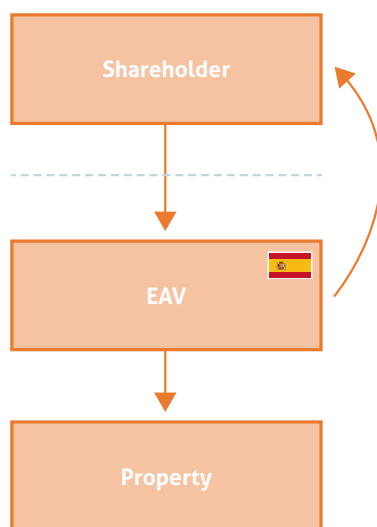
ADVANTAGES	DISADVANTAGES
Easy to implement.	Must have a valid business or financial reason.
Simplicity to distribute dividends (no special requirements).	Subject to real estate investment tax rates.
Not subject to CNMV supervision.	Limitations on financial costs.
Relatively low implementation and maintenance costs.	Requires personnel costs for the management of the real estate investment.

2

Entities for Housing Rental

(Entidades dedicadas el Arrendamiento de Vivienda) (EDAV):

A special tax regime has been set up for companies that deal exclusively in housing for rent. These companies would be (or could be) structured as follows:



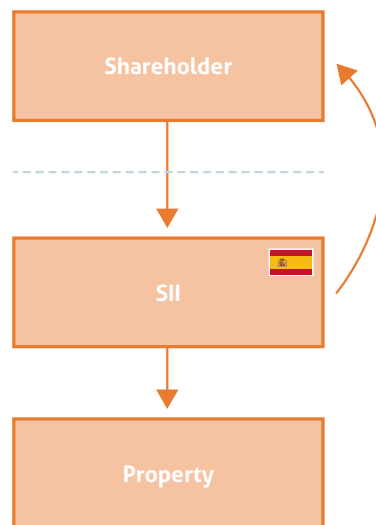
Advantages and disadvantages of this type of structure:

ADVANTAGES	DISADVANTAGES
Possible rebate of up to 40% on rental income in Corporate Tax	No allowance on capital gains on the sale of the property.
Reduced VAT rate on acquisition of property for lease.	Only applicable to the rental of dwellings for permanent residence.
Exempt from supervision by the CNMV.	High maintenance costs.
No obligation to distribute dividends.	Separate accounting, with a breakdown of income for each leased property.
Reduction of the double taxation effect for individual investors.	Not applicable for permanent establishments.

3

Real Estate Investment Companies (*Sociedades de Inversión Inmobiliaria*) (SII):

Another possible structure allows the foreign shareholder to make his investment through a real estate investment company, which in turn would hold the ownership of the properties in Spain.



Advantages and disadvantages of this type of structure:

ADVANTAGES	DISADVANTAGES
Possible application of 1% rate on lease and capital gains on sale.	Subject to regulation and control by the CNMV.
Tax regime of SII different and independent from its shareholders.	Need to meet additional corporate and investment requirements.
Attractive vehicle for non-residents.	It entails additional implementation and maintenance costs.
Subject to reduced rates on the acquisition and transfer of residential property.	
No obligation to distribute dividends.	
Professional management of real estate investments.	

4

Direct investment in rental property.

Finally, it is always possible for the investor to make a direct investment in a rental property.

Advantages and disadvantages of this type of structure:

ADVANTAGES	DISADVANTAGES
Simplicity of implementation.	Legal uncertainty.
It does not involve the distribution of dividends.	Non-favourable regime for non-residents from outside the European Union.
Not subject to withholding tax.	
Income and capital gains tax limited to 19%.	





Seegman is a law firm located in Madrid and Lisboa, with a multidisciplinary and international team, with experience in providing personalized legal advice to foreign clients who wish to invest in Spain.

This brochure is of an advertising and informative nature.

For the provision of professional legal advice you should contact the firm directly through the specialized contacts.

Seegman refers to the company Seegman Servicios Jurídicos, S.L.P., with tax identification number B88144852.

MADRID
Paseo de la Castellana 53
28046.
+34 91 080 09 29
firstcontact@seegman.com
www.seegman.com

LISBOA
Avenida da Liberdade, 67-B 2ªA.
1250-140
+351 213472251
firstcontact@seegman.com
www.seegman.com

