

## Are you ready for the Spanish tax season?

The Spanish tax system is fairly straightforward and for most people not particularly punitive, but it can cause confusion and anxiety. This is understandable, we are talking about taxes after all, but it is better to seize the initiative than to be an ostrich and hope it all goes away.

### The basics

If you live in Spain, you more than likely should be submitting an annual Spanish income tax return, referred to as "Declaracion de la Renta" that covers all our income from the previous year. The season for submitting returns begins on 1st May and runs until the end of June.

### The complications

Many foreign residents do not file returns. The most common reasons given are either "I pay my tax in Britain" (or another country) or "I don't have enough income". Sometimes these excuses do not stand close scrutiny.

For example just because income is taxed in Britain doesn't exempt it from declaration here. With one exception (a civil service or other government pension) you need to declare all income in Spain and then take credit for any tax paid already in the source country. In most cases, once you are paying tax in Spain, you can apply to the UK or other home country to (a) stop doing tax returns (b) receive all income without tax deducted. An exception is rent on a UK property which should be declared in both countries.

There are some exemptions for people with low incomes but the rules are not that generous. People will quote you a threshold of €22.000 but that only applies to income from Spanish employment where tax has already been deducted monthly by the employer. Otherwise the limit is €8.000 and that is only if you have income from a single source.

Lower limits apply to investment income (€1.600) and rent (€1.000).

Also in the first year of tax residency a return is required by the Spanish authorities regardless of these limits. It can often be in your interests to do a return if you are below the limits as you may be due a tax rebate.

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## Getting prepared

Before doing the return itself you need to register with the tax office (Agencia Tributaria) using a form called modelo 30. Then it is simply a question of gathering all the documentation showing your prior year's income from all sources including employment, self-employment, pensions, annuities, capital gains (if you sold a house), interest and dividends whether derived in Spain or otherwise. It is important that you have a full record of any tax already deducted from these income sources.

If your affairs are complex or it is your first declaration you may wish to hire an accountant or "gestor" to do your return for you. Otherwise banks and tax offices will offer some free assistance provided you have got your paperwork sorted out.

## Catching up

If you have read this article and thought that you really should have done Spanish tax returns but haven't, it is never too late to get your affairs in order. All problems have a solution – except being an ostrich.

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