

Spanish Tax Update: Wealth Tax Abolition in Andalusia and The New Solidarity Wealth Tax

On 20th of September 2022, the regional Government Council of Andalucía approved the Decree-Law 7/2022¹ according to which the wealth tax is abolished in that region.

Afterwards, other Spanish Regions, such as Murcia, stated their intention to follow the same initiative.

However, on 29th of September 2022, Spain's Minister of Finance the implementation of a new tax, the Solidarity Wealth tax, which neutralises the effect of the abolition of the wealth tax.

Below, we detail the key points of interest of these taxes to examine their implications.

Spanish Wealth Tax (*Impuesto sobre el Patrimonio*)

Spanish Wealth Tax is payable by individuals; (companies are not subject to wealth tax). This tax applies to both Spanish and non-Spanish tax residents. However, while Spanish tax residents pay wealth tax on their worldwide net assets (i.e. total assets minus total liabilities), non-Spanish tax residents only pay wealth tax on their net assets located within Spanish territory.

Pursuant to Spanish national legislation, the tax rate that applies ranges from 0.2% to 3.5% depending on the total value of the net assets of the taxpayer above €700,000.

However, the government of each Spanish Autonomous Community can either apply, the national law or pass its own laws on the following:

- Deductions and tax rebates.
- Tax-free allowances.
- Levied tax rate.

Using that legislative capacity, the regional Government Council of Andalucía has approved the abolition of the wealth tax within its regional territory.

¹ https://www.juntadeandalucia.es/eboja/2022/182/BOJA22-182-00010-14896-01_00268170.pdf

Solidarity Wealth Tax (*Impuesto de solidaridad*)

This is a temporary tax, which will apply during 2023 and 2024 and it will be reviewed before ending 2024.

Individuals whose net assets worth more than EUR 3 million will be subject to the solidarity wealth tax as follows:

APPLICABLE RATE	NET OF WORTH ASSETS
1,7%	Between EUR 3 and 5 million
2,1%	Between EUR 5 and 10 million
3,5%	More than EUR 10 million

Non Spanish tax residents and those residing on a region where wealth tax has not been scrapped, the amount paid on account of the wealth tax will be deductible from the amount due on account of the solidarity tax.

Written by Laura Gallego Herráez.