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PUBLICATION



ISSUES RELATING TO FOREIGN INVESTMENT

SPAIN Uría Menéndez

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1) Is national governmental permission required for foreign investors to acquire real estate? If so, please identify.

As a rule, real estate located in Spain may be acquired, held or disposed by any foreign investors in the same manner as by nationals.

Exceptionally, the Government is authorized to require a governmental permission if it suspends the liberalization regime (in case of investments affecting the public policy, the national security or the public health).

2) Are there other national restrictions imposed on ownership of real estate by foreign investors? To acquire interests in entities which own real estate? If so, please identify.

No.

3) Are foreign investors required to invest with a local partner? If not, is investment with a local partner advisable?

No. However, foreign players may wish joint venturing with local partners due to their knowledge of local bureaucracy and business practices (especially when they wish to get involved in real estate development).

4) What national taxes are levied solely on foreign individuals or entities acquiring or transferring real estate or interests in entities which acquire real estate?

No. However, for tax reasons, international developers usually channel their interest in joint ventures with local partners through a Dutch entity (which is only acceptable to the Spanish tax authorities if such an

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entity has some substance) and look to set up a number of special-purpose vehicles so that each of the specific developments is owned by a different project company. The purpose of this structure is to facilitate the future sale of the developments to other investors by offering shares in each of the project companies, which does not trigger capital gains tax for the international developer in Spain. For the local partner, the share deal does not offer any tax benefits. They must pay capital gains tax regardless of how the sales are structured.

5) Describe reporting requirements for reporting the acquisition, ownership or disposition of real estate which relate solely to foreign direct or indirect owners of real estate.

The acquisition of real estate assets located in Spain by foreign entities or by citizens resident abroad must be reported to the Spanish authorities if (a) the accumulated amount exceeds Euro 3,005,060 or (b) the investment comes from a jurisdiction qualifying as a tax heaven under Spanish regulations.

The transfer by foreign investors of said real estate assets must also be reported to the Spanish authorities.