

Madrid

Tax Haven in Spain





Madrid | Tax Haven in Spain

Madrid *facilitates*

Madrid is known within Spain as the region that facilitates **businesses, investments and tax planning for high-net-worth families**, rather than extracting value through taxation.

International investments

From an **international perspective**, the major part of investments in Spain also take place in or via Madrid.

& EuroEconomics facilitates you in Madrid

EuroEconomics assists investments in Spain from **Western Europe** and **North America**, providing tax, legal and financial guidance.

Also see EuroEconomics.com/Madrid

Advantages

Madrid offers substantial fiscal advantages compared to other Spanish regions, including and till:

1. Income tax: up to **-9%**
2. Wealth tax: **-100%**
3. Inheritance and gift tax: **-99%**
4. Real estate taxes: **-40%**
5. Relocation to Madrid: **-20%**

See next pages.

1. Up to 9% lower Income Tax

Income and rental

For individuals who are **tax resident in Spain**, Madrid applies **lower tax rates on salaries**, including income earned through corporate or real-estate holding structures and on **rental income**, compared to the rest of Spain.

In **Madrid**, tax rates start at **18%** and can rise to **45%**. In other regions of Spain, rates typically start at 19% and may increase 54% representing a difference of **up to 9% on each euro of income received**.

This leads to a **significantly lower overall tax burden** in Madrid.

For **non-residents**, a flat tax rate of **19%** - **24%** applies, subject to applicable international tax relief or credit mechanisms.

A favourable tax regime

If you relocate to Madrid for employment or as a **director or shareholder-manager** of a Spanish company, a favourable tax regime may apply under certain conditions.

This regime is commonly referred to as the **Beckham Regime** (named after footballer David Beckham, one of its earliest users) and applies throughout Spain.

- Income up to **€600,000: flat rate of 24%**
- Income exceeding €600,000: **47%**

Under this regime, individuals are treated as **non-resident for income and wealth tax purposes**. In certain cases, partners may also qualify.

2. Wealth Tax Reduction up to 100%

Wealth taxed less heavily

As part of its strategy to promote economic growth through low taxation, Madrid was the first Spanish region to introduce a **100% reduction on wealth tax**, a position it largely maintains today.

Although the tax has not been formally abolished, a 100% reduction applies to net assets **up to €3 million**.

This reduction applies to both residents and non-residents with Spanish assets, including real estate net of related liabilities.

If gross assets exceed **€2 million**, a wealth tax return must be filed; however, **no tax is payable** within the reduction thresholds.

A note on national developments

Inspired by Madrid, some other - political 'right' - regions introduced partial reductions in wealth tax.

This led the 'left' central government to introduce a so-called **solidarity tax** on net assets **exceeding €3 million**, with rates broadly aligned to wealth tax levels.

This measure, originally 'temporary' in connection with EU recovery funding, has since been extended. Any wealth tax payable may be offset.

Madrid responded by reintroducing wealth tax **above €3 million** ensuring that tax revenues are collected at the regional rather than at a national level.

3. Inheritance/Gift Tax Reduction: 99%

Ideal for Estate and tax planning

Madrid grants a **reduction of 99%** on inheritance and gift tax, based on national Spanish rates.

This applies to **close family members**, provided the beneficiary resides in Madrid.

In cross-border situations, inheritance or gift tax exposure in the country of origin may lapse after a sufficient period of non-residency, subject to domestic rules and treaties.

For larger estates and **family offices**, early and strategic estate and tax planning is essential.

Cross-border considerations

Inheritance and gift tax planning remains complex due to **fundamental differences in taxation systems** between Spain and other jurisdictions.

- Some countries tax based on the **donor or deceased**
- Spain generally taxes based on the **recipient**

International tax treaties do **not always provide full double-tax relief** for inheritance and gift tax, although unilateral relief mechanisms may apply. This area requires careful planning and the involvement of **specialised tax advisers**.

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4. Lower Property Taxes up to 40%

Lower real estate transfer tax

Madrid applies a **6% real estate transfer tax**, compared to an average of 10% in many other Spanish regions - a reduction of **40%**.

This has a **material impact on investment returns** and overall acquisition costs.

The reduced rate applies regardless of whether the buyer or investor resides in Madrid, Spain, or abroad.

Lower total acquisition costs

Madrid also applies lower registration fees and stamp duties, for example in relation to notarial deeds.

In practice, these costs amount to approximately 0.75% of the purchase price.

Together, these reduced taxes and fees result in a significantly **lower total acquisition cost** compared to other Spanish regions.



5. Incentive Relocating to Madrid: 20%

Investor incentive for newcomers

Since 2024, individuals relocating to Madrid from abroad may deduct **20% of qualifying investments** from their taxable income.

Eligible investments include:

- **Businesses**
- **Real estate**

There is no minimum investment threshold; the incentive applies from the first euro invested.

Remarkable strategic tax incentive

This incentive represents **another great strategic policy move by Madrid** to attract international investors and high-net-worth families with tax incentives.

Conditions

The scheme applies to individuals who have not been tax resident in Spain during the previous five years, including returning nationals.

Investments must be held for a minimum of six years.

The deduction cannot result in negative taxable income. Unused amounts may be carried forward for up to six years.

For further details, **contact us without obligation:**

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Opinion EuroEconomics

The fiscal “location, location, location”

With these measures, Madrid positions itself as a region that actively promotes investment and economic growth, rather than increasing the tax burden.

While Spain is often perceived internationally as bureaucratic and complex, Madrid stands out with a fiscally efficient, pragmatic and investor-friendly approach.

From a tax perspective, Madrid is truly the “location, location, location” of Spain.

Both Madrid and EuroEconomics are pleased to welcome you

Strategically one step ahead

Other regions aim to follow Madrid’s example, though often through imitation rather than original policy design.

Madrid’s forward-looking fiscal strategy suggests that additional incentives are already being prepared.

For **international investors**, large and small, Madrid offers a compelling opportunity to combine real estate and business investment with maximum tax efficiency.

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assistance to you in Spain?
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question.

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