

Retiring to Spain - Tax, Property, and Pensions



Following on from my earlier article about [Retiring to France](#), I thought a brief overview of some other popular countries may be useful for anybody thinking about likely retirement locations - So let's look at Spain.

Some 6 million foreigners, including over 100,000 British retirees are resident in Spain, representing over 12% of the total 48 million population.

Who can blame them? Spain has a warm sunny climate, great cuisine, a good healthcare system and an all-round high standard of living.

For EU citizens, relocating to Spain is, of course, a relatively simple process, but for other nationalities, a bit of planning is prudent, to avoid surprise tax bills and pension headaches.

However, Brexit has put a spanner in the works for Brits, making it more difficult and more costly than it was, but it is still feasible.

How much money you will need to retire to Spain



Spain requires foreign nationals to have income or accessible savings of €27,115 (£23,089) for each year they live in the country. This can be in savings accounts, private pensions, the state pension, or proof of ongoing receipt of dividends or rental income.

Applicants only need to have enough money for the number of years they plan on living in Spain. For example, someone wanting to live in Spain for 8 years would need around €217,000 (£185,000).

With the full UK state pension currently worth £9,350 per year, British pensioners would need around another £14,000 per year.

An additional €6,778 is required each year for each extra family member, so a couple would need an income of €33,894 (£28,859). Assuming both partners have the full state pension, they would only need an extra £11,000 per year between them as a top up.

As a rough guide, 65-year-old would need a pension pot worth about £300,000 to be able to sustain that level of income. This assumes they receive the full state pension and investment returns of 5pc.

The UK Government confirmed in January anyone moving to the EU or Switzerland after Brexit can carry on receiving their British state pension, which will continue to be increased each year in line with the rate paid in the UK, but exchange rates are likely to vary over the years, of course.

Visa Options

Pensioners are considered 'economically inactive', which means they have extra requirements compared to those of working age.



For Brits, there are new, stricter rules since Brexit, and they also generally apply to other non-EU nationals.

There are two types of visas giving the right to live in Spain: the 'non-lucrative visa' and the 'Spanish golden visa'.

The non-lucrative visa is initially for one year, and requires proof of income or capital. Renewals last for two further years.

Costs for this visa are quite high, at about £3,500 for a couple. This includes an application fee of £516, with further fees for a medical check, criminal check, legal stamps and document translations.

Golden visas are more expensive, but allow flexible residency rights across the EU's Schengen area, in exchange for investing in local property, or investing in the economy. Applications cost €5,000-€6,000 every time.

To meet the real estate investment requirements, one must purchase a single or multiple properties worth €500,000.

Other investments to qualify for the golden visa include buying at least €2m in Spanish public bonds, buying €1m worth of shares in a Spanish company or Spanish venture capital funds, or having €1m in deposits with a Spanish bank.

It seems worth the cost of accurate advice on visa applications, as any errors on the paperwork or the process will usually make it void, and the application fee is lost. Not only will you have to start the process again from scratch, but you will have to pay the fees for a new application.

Spanish tax rules

Anyone planning retirement in Spain will need to plan their tax situation ahead of their move, or risk facing some big bills.



As mentioned in '[Retiring to France](#)', British tax-efficient investments like ISA's and venture capital trusts do not have the same tax treatments overseas. In Spain, any interest, dividends or capital gains arising within these investments will be taxable.

When it comes to pensions, income drawn from a pot is taxable where the person lives, not where the pension is located, so tax is due in Spain. An exception is Government employee pensions, which will only be taxable in the country from which it is paid.

Note that, like in France, the 25% tax-free pension cash rule (30% for QROPS) no longer applies. This is taxable because Spain does not have a non-taxable element of a pension fund. It therefore makes sense for many to take the tax-free cash from UK pensions or QROPS before settling into retirement in Spain.

A common error is to sell the family home after settling into retirement, but this can be an expensive strategy. The sale of a primary home in the UK does not typically result in a Capital Gains Tax bill, and most countries have some form of main home tax relief, so in the normal course of events, no capital gains tax arises on sale.



However, the UK's rules are significantly different than those in Spain.

While the sale may not lead to a tax liability in the home country, it may in Spain.

Similarly, anyone planning to delay selling a British business until they have left to avoid UK capital gains tax, are likely to find it is taxable in Spain.

Spain, like other countries in Europe, has taxes that do not exist in other countries, such as an exit tax and a wealth tax. This means expats must fill in additional tax return forms. Any assets around the world must be declared for the wealth tax where they exceed €2m.

Overseas assets exceeding €50,000 must also be declared, and failure to do so could lead to severe penalties.

Inheritance and wealth taxes vary from region to region in Spain. Some areas like Madrid have 100% relief on inheritance and wealth tax, whilst other regions charge up to 34% in death duties.

Buying property in Spain

Spanish property is relatively cheap by comparison to British housing.



The national average square meter costs about €1,625 (£1,396) in Spain, compared to £2,863 in Britain, according to Knight Frank, an estate agent. During the first quarter of 2021, the Murcia region in South-eastern Spain had the cheapest property value, at €981 per square metre.

Buying real estate in Spain attracts certain taxes, stamp duty and fees, amounting to 11% of the property purchase price. This is mainly VAT. There are also conveyancing fees, typically around 1% of the property purchase price.

Health Insurance

Britons and non-EU nationals must prove they will not be an 'undue burden' on the Spanish state, and this means they must have comprehensive health insurance.

Anyone applying for a visa must have health insurance that provides full coverage of at least €30,000 for the full period of the residency permit, provided by a Spanish insurer.

Spain tends to be less expensive than most other European countries. You can live comfortably in Spain for about €1,800 or so per month somewhere in a big city. If you live somewhere outside the big cities, you can retire on as little as €1,400 a month.

If you are thinking of retiring to Spain or any other country, please do not hesitate to [contact me](#) for no obligation guidance on the financial/tax aspects of such a decision.