



# INVEST IN SPAIN A GUIDE TO SPANISH RESIDENCY

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**Konsilia**  
International Advisers

*An essential and useful guide  
for those wishing to invest in Spain  
and obtain the Spanish residency*

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## Introduction: Moving to Spain

The combination of factors such as Spain's climate, Spanish lifestyle, excellent air connections, and a country well known for its stability and safety makes Spain one of the most attractive destinations in Europe.



A mix of business cities such as Madrid and Barcelona, charming coastal towns, and Alpine mountains with precious natural parks

Acquiring Spanish residency and investing in Spain have experienced an unprecedented growth over the last year, with new government policies aimed at encouraging foreign investment. These policies include new immigration rules that make it easier than never to establish a residence in Spain.

Spanish Law 14/2013 of 27th September, which supports entrepreneurs and their internationalization, introduced a new type of visa and residence permit for qualified immigration, promoting the international mobility of professionals and executives and attracting foreign investment.

The investors residence, also known as “Golden visa”, is based on the establishment of a flexible system specific to the concession of visa and residence permits directed to those non-EU nationals who make a significant investment in Spain on real estate, shares or bank deposits, Spanish public debt, or who invest in business projects in Spain considered being of general interest.

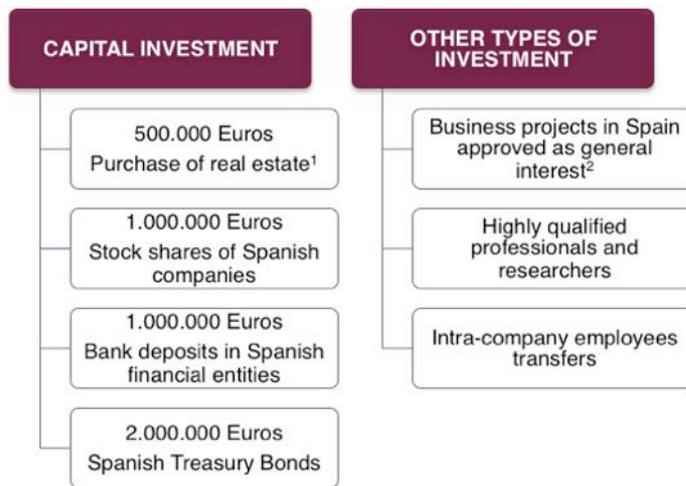
The Schengen visa mobility and the Euro as a common currency may encourage more people to consider working, setting up business, investing and living in Spain. Furthermore, our research suggests a positive recovery of the Spanish economy and real state market for the next decade, showing increasing trends towards foreign investments.

Some years ago the Spanish Institute for Foreign Trade (ICEX) and Deloitte UK commissioned us to produce a guide on the Spanish real state market. Expanding on our previous work we are now publishing this guide with the purpose of exploring the most common tax and legal issues affecting foreign investors interested in Spain.

## Chapter 1: Investing in Spain



Prior to submitting the Spanish Residency application you must make an investment in Spain such as any of the following:



- (1) Investors purchasing real estate must use at least €500,000 of their own funds, which must come from transparent sources that comply with existing legislation on money laundering and so on. Above that threshold there is no limit to debt financing, for instance with a mortgage in Spain.
- (2) Considered of general interest when in compliance with any of the following requirements:
  - a) Job creation.
  - b) Investment with a social and economic impact.
  - c) Significant contribution to scientific and/or technological innovation.  
Approval by the relevant Spanish authorities is required.

For your convenience, we provide you in this guide with a detailed explanation and information on each investment, including requirements and considerations.

## 1. Purchase of real estate

### *Starting at 500.000 euros*

Perhaps the easiest, most profitable and secure investment is in real state. The conditions are that you must be using at least €500,000 of your own funds to start with. However, above that threshold there is no limit to debt financing, for instance with a mortgage in Spain.

When making an investment of this type, there are specific taxes and fees one must consider:



In order to make the best investment, it is advisable to put yourself in hands of qualified real state agents and legal advisers in order to comply with legal due diligence, and who can also advise you on tax planning, and how to manage and maintain your property.

## 2. Stock shares of a Spanish Company

### *Starting at 1.000.000 euros*

There are several ways of making interesting investments that will ultimately provide you with the Spanish residence. For example, according to the Spanish Law on Entrepreneurs of 2013, if a foreigner invests in a project, as long as they can prove that it will have a positive effect on job creation, have a social, economic impact in the geographical area of investment, or represent a significant contribution to

scientific innovation and / or technology, they will be eligible to obtain it. Spain has more than 3000 innovative start-ups with emerging business projects you can invest in and benefit from many tax advantages.

Another option with very good tax conditions is the Spanish REIT's. To make you eligible for the Spanish Golden Visa the investment must be of 1,000,000 at least, but with only one property, you can already benefit from all the advantages REITs have.

In Spain they are taxed at 0% provided that the holders of at least 5% of the REIT shareholders are taxed on dividends received at a minimum nominal rate of 10%. When shareholders do not meet this requirement, the REIT is taxed at a corporate tax rate of 19% on dividends distributed to shareholders (the 19% is a tax payable by the REIT and no withholding tax on dividends distributed)

### **3. Bank deposit in a Spanish financial company**

***Starting at 1.000.000€***

The basic types of deposits are very simple to understand and employ. The general rule is that the longer the deposits remain in the bank, the higher the returns. In addition, there are more complex products. However, for these types of products the general recommendation is to always understand the risks; ie fully knowing what you can win and what you can lose.

### **4. Spanish Treasury Bonds**

***Starting at 2.000.000€***

One of the most attractive features of Treasuries is the security they provide. When you invest in Treasuries, you get the security that comes with a government investment because the Treasury bond is backed by the credit of the government. It represents a relatively safe form of investment, with which you can get competitive returns.

## 5. Business projects in Spain classified as of general interest

A business will be considered “as of general interest” when meets any of the following criteria:

- ✓ When it can be argued that it will be a motor of job creation.
- ✓ When the investment is expected to make a positive social or economic impact in the geographical area of the investment.
- ✓ When it represents a significant contribution to scientific and/or technological innovation.

There are currently more than 3,000 start-ups in Spain in which to invest. With the aim of promoting these projects, the government has implemented tax changes that favor investment in these companies. And if you decide to invest as an individual -and not as a society- you will benefit from even higher deductions and rebates.

Converting this investment in a residence permit requires the approval of the competent Spanish authorities, so it is advisable that this is managed by a specialized and competent agent.

## Chapter 2: Obtaining your visa and residence permit

There are two steps to get the Investors Residence permit, that will not only allow you to reside in Spain, but will also give you access to \*Schengen territories:

### 1. Obtaining your visa

Now you have an investment in Spain, and documents as proof of this investment, you must go to the nearest Spanish consulate in your country, and apply for the visa. This may take anything between 1 to 3 months, depending on the legalization and \*\*translation processes, and on the Consulate processing time, which is different for each Spanish Consulate. The visa will be valid for one year.

### 2. Obtaining your residence permit

It can be done right after getting the visa once you are in Spain, or you can wait up to 90 days after the expiry of you visa (which has a validity for one year). The residence permit will be valid for 2 years and can be easily renewed to 2 additional years, as long as the investment is maintained.



*\*Considered "Schengen" countries are: Spain, Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, The Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Sweden and Switzerland.*

*\*\*All documents to be submitted for the application process that are not in Spanish must be legalized and translated into Spanish (certified translation). Also, all documents must be submitted in original and two copies.*

## Capítulo 3: How Konsilia can support your process

With over 10 years of experience in Spanish residency matters and an in-depth knowledge of the Spanish immigration and tax systems, we offer a comprehensive service that includes assistance, advice and follow-up in every step of the process until its completion.

### ✓ **Personalized analysis**

We provide our clients with a complete information package with all the steps to follow, and an estimated timeframe. We analyze each particular case, assess eligibility based on each client's needs and situation, as well as Immigration requirements, in order to maximize chances of approval.

### ✓ **Visa application**

We support the entire process, advising on the best option suited to your situation and guiding you through the entire process and arrangements of all paperwork, from the moment you decide you want to apply for the investor's visa, including assistance with the actions to be performed locally, and collection of all the documents to be issued in Spain (property contract, medical insurance, bank accounts, bank certificates).

### ✓ **Legal & Tax advice**

We are tax experts within the Spanish legal framework, accomplishing all of the elements of a financial plan in the most tax-efficient manner possible.

### ✓ **Investment advice**

We advise you on all the investing options there are, adapted to your needs, with the best tax conditions

### ✓ **Property acquisition**

We take care of the entire process:

- Legal support for the acquisition of the property.
- Contact with exclusive and reliable real state agents.

- Advice on most suitable residency option, based on your needs and situation.
- Tax, financial and legal advice for an optimal and cost efficient acquisition.
- Guidance on Spanish health system, lifestyle, culture, schools and nurseries.
- Organize signature with notary.
- Supervise all the work until property is registered in Land Registry.

### When acquiring a property



### Process to apply for visa and / or residency permit



## Capítulo 4: Other considerations

### **Schengen and travelling in Europe**

The Schengen Area is one of the greatest achievements of the EU. It is an area without internal borders, an area within which citizens, many non-EU nationals, business people and tourists can freely circulate without being subjected to border checks.

Considered “Schengen” countries are: Spain, Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, The Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Sweden and Switzerland.

### **Children and Education**

The visa currently includes automatic residence for all direct family members: spouse, children and parents. As far as schooling goes, there is a wide array of choice in the educational arena, and at any rate in most cities you will find schools, which cater for the international communities.

### **Health System and Insurance**

In order to be granted the Visa, you will need a private health insurance that is valid in Spain. Konsilia can help you arrange this.

### **Retiring and pensions**

There are many pension schemes to choose upon in the Spanish financial market and, for many reasons, Spain is famously a great place to retire. Konsilia can advise you on the best way to organize your retirement.

### **Mortgages and Banks**

We can advise on the best options to obtain a mortgage, taking into account your situation and all the alternatives. When applying for the

Golden Visa, you will need to spend 500.000 euros upfront; however, from that point on you can borrow from a bank.

### **Driving in Spain**

There is a lot to be said about driving in Spain. For example, a foreigner under 18 with a driving license is not entitled to drive a motor vehicle in Spain. Driving licenses issued in EU and EEA countries are accepted; on the other hand international driving permits are recognized but not required.

If stopped by the police in Spain when driving, you should always have handy the following documents, as you will be requested to show them: valid driving license, proof of insurance (third party or above), ID or Passport and proof of ownership of the vehicle.

Children under 135 cm must be strapped in adapted seats. Also, you must carry in the car a reflective jacket and two warning triangles (compulsory in every vehicle with 4 wheels or more) and may be fined if not.

Crash helmets are compulsory for motorcyclists and they must have their lights on at all times on the road.



## Chapter 5: Spain: The Profile



### Geography

The Kingdom of Spain occupies an area of 506,013 square kilometers in the southwest of Europe, and is the second largest country in the EU. The territory of Spain covers most of the Iberian Peninsula, which it shares with Portugal, and also

includes the Balearic Islands in the Mediterranean, the Canary Islands in the Atlantic Ocean, the North African cities of Ceuta and Melilla and some surrounding rocky islands.

Despite the differences among the various regions of Spain, the country can be said to have mainly a typical Mediterranean climate. The weather in the northern coastal region (looking onto the Atlantic and the Bay of Biscay) is mild and generally rainy throughout the year, with temperatures neither very low in the winter nor very high in the summer. The climate on the Mediterranean coastline, including the Balearic Islands, Ceuta and Melilla, is mild in the winter and hot and dry in the summer. The most extreme differences occur in the interior of the Peninsula, where the climate is rather dry, with cold winters and hot summers. The Canary Islands have a climate of their own, with temperatures constantly around 20Celsius degrees and only minor variations in temperature between seasons or between day and night. Spain has an excellent quality of life and is very open to foreigners. Over four thousand kilometres of beaches, abundant sporting facilities and events and social opportunities are crowned by the diversity of the country's cultural heritage as a crossroads of civilizations (Celts, Romans, Visigoths, Arabs, Jews, etc.).

## **Politics**

The official national language is Spanish, which is used jointly with other official regional languages (Catalan, Basque, Galician and Valencian) in specific Autonomous Communities. Education is compulsory until the age of 16 and English is the main foreign language studied at school.

Spain is a parliamentary monarchy. The King is the Head of State; and his primary mission is to arbitrate and moderate the regular functioning of the country's institutions in accordance with the Constitution. For administrative purposes, Spain is organised into 17 Autonomous Communities (Regions) each containing generally one or more provinces, plus the Autonomous Cities of Ceuta and Melilla in Northern Africa; the total number of provinces is 50. Spain is one of the most decentralized countries in Europe.

Over the last decade the country has undergone a process of modernization that has included an extensive renewal of its infrastructure.

## **Economy**

Spain is slowly coming out of what could be its worst recession in modern history. The average unemployment rate is expected to remain at 22.1% this year. Next year, however, predictions offer a slight improvement, down to 19.8%. And by 2018, the last year included in the Plan of Stability, the government gives a forecast of 15.6%.

Regarding Deficit, in 2015 the Executive calculated to end with a general deficit of 4.2%, decreasing to 2.8% in 2016 and down to 1.4% in 2017. This way, the government expects to balance public accounts in 2018, when a deficit of 0,3% will be reached.

Regarding GDP, in the first quarter of 2015 it grew by 0.9%, the largest quarterly advance since 2007, representing a growth of 2.6% in comparison with the initial months of 2014. In fact, predictions are optimistic, recovering by 2017 all the GDP lost during the crisis. As far as GDP is concerned, the Spanish government expects the economy to grow 2.9% this year, as in 2016. For 2017, the growth is estimated to be 3%, the same as in 2018.

All indications are that the extraordinary factors that are helping this intense breakthrough to happen are going to remain stable: the much cheaper oil in 2014 and the best financial conditions after the intervention of the ECB are driving private consumption and employment. The depreciation of the euro, another side effect of the ECB plan, facilitates exports and sustains and nourishes tourism.

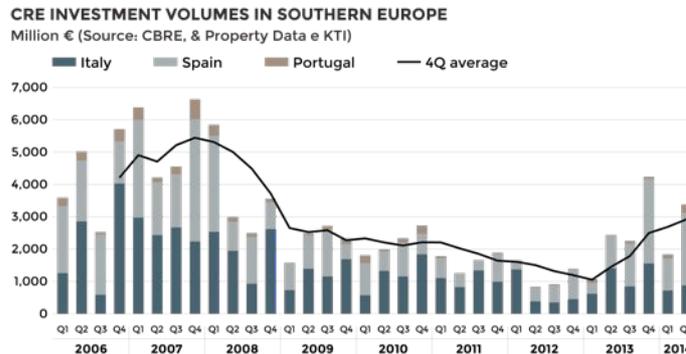
The official forecast is also squaring the circle: growth and jobs are created while the external surplus is maintained (above 1% of GDP until 2018). Private consumption is the main support (about 3%), although investment in capital equipment has also increased (7%). The construction sector will also increase, more than 5% annually.

## Investments

### Real State

Between 2008 and 2014, property prices dropped on average 45% across all the Spanish territory. However, there are evident signs that this is not going to last much longer.

The Spanish Golden Visa Scheme, amongst other benefits, is attracting overseas buyers. In December 2014, property bought by foreigners reached a new high, 23% more sales than in 2013, with 30,708 properties sold to non-Spaniards. The largest group of foreign buyers were the British, followed by the French, Germans and Russians. Andalusia was the most popular destination, then Valencia, Catalonia and Madrid.



High Street banks in Spain are beginning to offer mortgages again, however this is only to people they consider solvent and only for 80% of the cost of the property at the most, meaning purchasers must have at least 20% to start with, which with tax, may increase up to 30% of the price of the property.

This means that for most Spaniards, the cost of buying is still beyond their possibilities, and as a result rentals have become increasingly popular. This has led to those in a position to buy property, both large investment companies as well as individuals, mostly foreigners, to buy in order to let. With stylish three-bedroom apartments in classy neighborhoods available for about £500,000, this could be the perfect time to invest in very profitable buy-to-let operations in a trendy European city.

One point to consider is that in Spain almost all mortgages are at a variable rate, so the banks will lower interest rates if the Euribor drops, but they will also raise the rates when the Euribor climbs, which it inevitably will at some point.

### **Other investments**

There are ways to benefit from all sorts of deductions and rebates when making investments in Spain, particularly if you are a foreigner. In fact, already the prices of commercial property and offices in the larger cities like Barcelona or Madrid are moving upwards from a year ago, due largely to international investment.

Spain has a modern, high quality infrastructure and an excellent network of transportation, energy and telecommunications. It is located in a privileged geographic location, between the Mediterranean, North Africa and Latin America and enjoys a wide local market of more than 47 million inhabitants. These are also good reasons the investors will have probably taken into account.

## About the authors

### **Leon Fernando del Canto**

Fernando is a qualified UK barrister and a Spanish Abogado (lawyer).

With over 25 year of international profesional experience, he brings his international tax expertise and deep knowledge of the Spainsh tax and legal matters.

He has acted for over 300 property transactions in Spain and wrote the book *How to buy your home in Spain*, published by the Spanish Ministry of Foreign Affairs in 2003.

He regularly publishes articles at Spanish Huffington Post and the Spanish newspaper El Pais.

### **Mercedes Bellavista**

Mercedes has developed most of her career with international companies in Spain and the USA. She works in Konsilia since 2008.

She has been working with Spanish residency matters and internationals assigments for the last 7 years, for both European, as well as for non-European clients.

She has a good knowledge as of the Spanish immigration system, as well as the concerns and needs of those seeking residence in Spain.

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