



Agencia Tributaria

Modelo 720

Declaración de bienes
en el extranjero

Modelo 720 Reporting

Your questions answered



The Spectrum IFA Group

International Financial Advisers

www.spectrum-ifa.com

WHAT'S IT ALL ABOUT?

In 2013, the Spanish Government launched an “anti-fraud” plan to prevent tax evasion. Although aimed at discovering assets bought by Spanish nationals with irregular money, it also affects members of the international community living in Spain that hold assets abroad.

It is important that you don't 'bury your heads in the sand' regarding this requirement, hoping that you won't get caught.....because eventually you will.

The Modelo 720 reporting requirement is based on tax residency; if you are deemed to be a tax resident in Spain, then this requirement affects you. In general, you will be deemed tax resident if you are in living/working in Spain for more than 183 days a year, and remember that the onus is on you, the individual, to be able to prove otherwise to the authorities, should they decide to investigate. The reality is that in most cases, it would be very difficult to demonstrate this to the Spanish Tax Authorities and so most people would be deemed Spanish tax resident by them.

WHO HAS TO REPORT?

Any person, permanent establishment or company who is tax resident in Spain and is the owner, titleholder, representative, authorised person, beneficiary, or has disposal powers of assets located outside of Spain worth more than €50 000 (see assets below), must report the value of these assets. Any assets held in other currencies must have that value converted to Euros to gauge whether it exceeds the Euro limit imposed.

WHEN DO YOU REPORT?

Between 1 January and 31 March of each tax year, you must submit details of assets from the previous year. If you have previously reported your external assets on the Modelo 720, then there is no need to resubmit a report every year unless the value of any of the asset classes has increased by €20 000 or more.

WHICH ASSETS MUST BE REPORTED?

There are three main asset classes that need to be reported if the total value of each class is over the €50 000 limit:

- 1. Bank/Building Society accounts located outside of Spain** – It is important to note that if you hold several bank accounts and THE TOTAL amount held exceeds the €50 000 limit, then ALL the accounts need to be reported, regardless of whether each one is under the limit.
- 2. Investments / Life or disability insurance policies** – If you are the owner or policyholder of an investment or insurance policy then these will need to be declared if they exceed €50 000. Again, there is a requirement if you have multiple investments or policies, that if the total value exceeds the limit then they will all need reporting. If you are holding Life Insurance Bonds, then the surrender value of the policy is deemed as the value. If you hold “pure life” policies that only pay out a benefit in the event of death and have no physical surrender value these do not have to be reported.

Interestingly if you are holding what we describe as Spanish compliant Life Insurance Bonds, then the onus of reporting on the Modelo falls to the institution themselves. They have their own version of the Modelo to comply with meaning they do not necessarily have to go on your individual report.

- 3. Property** – Owners or part owners of an overseas property where the value exceeds the limit must report these properties.

WHAT IF YOU DON'T REPORT IN TIME / CORRECTLY?

The Spanish Tax Authority has implemented a series of penalties for those who do not comply with this regulation. These penalties can be imposed for late filing, incomplete/inaccurate filing and even for presenting the information to them in a way not deemed acceptable; basically, it must be done online. These are considered very serious offenses and the penalties in these cases are fixed, generally to an amount of €5,000 per item or “set of data” on the same asset, with a minimum of €10,000. The amount is reduced to €100 (with a minimum of €1,500) if the information is filed late without prior notification from the government. Speaking to some accountants and Gestors, they believe and have seen fines to be around €150 if you file late without any notification, but the law states differently so in reality the exact fine is questionable.

WHAT IF YOU DON'T REPORT AT ALL?

Should the Spanish Tax Authorities discover that you have assets with a cumulative value over €50 000 in any of the above asset classes and deem that you have wilfully not disclosed this information, penalties are imposed. In some cases the fines issued are as high as 150% of the value of the undeclared assets! It is also important to note that there is no statute of limitations when it comes to the Modelo 720 so there is no limit to how far back they can go.....

There have been numerous complaints about the unfairness of the Modelo 720 and the fines being imposed. The European commission has been in discussion with the Spanish Tax Authority to reduce the fines. The latest we have heard is that the 150% penalty of undisclosed assets would not stand and would be reduced to the lower fine levels, providing the assets were reported voluntarily, which just means it falls from the undisclosed category to the late reporting category and doesn't help those caught not declaring. The Tax Authority is pushing for people to report their assets voluntarily, maybe there will be softer sanctions in the future but for now, this is how it stands.

If you want to discuss how to report the Modelo 720 please feel free to get in touch. I work closely with several qualified accountants and tax lawyers in Malaga and Catalunya to Andalucia, who can assess your situation and file on your behalf if required.



Charles Hutchinson

Phone: +34 952 79 79 23

Mobile: +34 605 903 472

E-mail: charles.hutchinson@spectrum-ifa.com



The Spectrum IFA Group

International Financial Advisers

www.spectrum-ifa.com

“The Spectrum IFA Group” is a registered trademark, exclusive rights to use in Spain granted to:
Baskerville Advisers S.L. CIF B-63/137.020 Correduría de Seguros; No de registro RDGS J2306;
Paseo de Gracia 63, principal, 2a, 08008, Barcelona Seguro responsabilidad civil AIG Europe No0131900503.1330
Registro Mercantil de Barcelona, Tomo 35489, Folio 170, Seccion 8, Hoja B-269534