



720 - Reporting of foreign assets

Law 7/2012 introduced legislation obliging all Spanish resident taxpayers (both legal, natural persons and permanent establishments) to report foreign assets exceeding €50,000 in a defined class (as below). Failure to report will result in penalties of €5,000 per unreported item with a minimum of penalty of €10,000, in addition, unreported foreign assets will never be time-barred.

Unreported foreign assets discovered by the Spanish Tax authorities will be treated as unjustified capital gains generated in the previous tax year. This will not be treated as savings income but as earned income, which is calculated on a sliding scale with a top national rate of 52% (could be higher if the autonomous community has increased the tax rates, such as in Andalusia and Cataluña).

The tax fines applicable are increased and are treated as a very severe infraction, and fines of 150% of the tax due will apply.

Royal Decree 1558/2012

This regulates the reporting obligations for foreign assets. This Royal Decree establishes that all Spanish tax residents (both legal and natural persons) need to file a reporting return to declare the following foreign assets or rights:

- Bank accounts; in which the individual is the titleholder, or in which he or she is a representative, authorized person, or beneficiary, or in which he or she has disposal powers;
- Shares, loans, securities, rights, insurance, and life-long or fixed-period/temporary annuities;
- Real estate or rights in real estate.

It is worth pointing out that Spanish resident beneficiaries of foreign Trusts and "other legal instruments" also have to declare the foreign assets.

Tax Return and deadline

Foreign assets have to be reported on a 720 tax return form. The deadline for filing this return is between 1st January to 31st March (after the tax year end).

There will be no reporting obligation for those assets or rights in a particular class whose value is under €50,000. In following years, the 720 return should be submitted only if:

- there are new assets or rights,
- the values of assets or rights already reported have increased (unless the increase does not exceed 20.000 €); or
- in certain cases in which ownership in those assets or rights is relinquished.

The information required on the return:

Bank accounts:

- Name and address of Bank.
- Full details of bank account (acct number etc).
- Opening or cancelation date.
- Balance at 31st of December and average balance for last quarter.

Securities, insurance, etc:

- Name and type of entity, and address.
- Number and type of shares.
- Value at 31st of December.

Immoveable property (including timeshares):

- Details and type.
- Full address.
- Acquisition date and value.
- Sale date and price, in case of transmission prior to 31st of December.

Therefore, Spanish tax resident entities, individuals, and permanent establishments, will have to report foreign assets and rights in any particular class exceeding €50,000 by 31st March.

Those who have submitted a 720 return form previously, will only need to submit a new return if there are substantial changes in the tax year in question (as detailed above).

For further information or help in completing your 720 tax return please do not hesitate to contact us directly at: francesco@foresightconsultancy.com
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