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Windfall for holiday home owners?

THOUSANDS of holiday home owners who made money when they sold their Spanish property were overcharged by the Spanish tax authorities. They could be owed refunds totalling more than £86million.

This is because the Spanish government charged non-residents capital gains tax on the profits they made at 35 pc, while Spanish nationals have to pay only 15 pc — a difference of 20 pc.

But EU rules state it is discrimination to charge foreign non-residents a higher rate than locals, and is therefore unlawful.

The European Commission ruled that Spain contravened EU legislation, so the Spanish government stopped charging foreigners a different rate at the start of 2007.

Anyone who sold their Spanish home between June 2004 and December 2006 should reclaim the extra 20 pc tax they were charged. You can't claim a rebate on profits from sales before 2004

as there is a time limit of four years under Spanish legislation. Foreign exchange specialist HIFX has been alerting its customers to the situation and estimates it could affect more than 4,500 Britons with average claims of £19,300.

Those applying for a refund can also add on missing interest at a rate of 6 pc a year.

Spanish lawyer Emilio Alvarez of Costa, Alvarez, Manglano & Associates, who originally exposed the problem, has started helping hundreds of former homeowners from abroad reclaim their tax. More than 300 Britons have so far registered requests for rebates with them.

However, the firm will charge 35 pc of anything recovered on a no win, no fee basis. You could try claiming a rebate yourself, but Senor Alvarez says the Spanish taxman has been rejecting these claims. He is going to the European Court of Justice for a binding ruling. However, this could take four years.

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