

Taxation of vehicles

If Thomas Jefferson thought taxation without representation was bad, he should see how it is with representation. Rush Limbaugh

Taxation is an inevitable consequence of living, with motorists always being an easy target as with fines for minor infractions of the law. So, what taxes do we have to pay and how can we minimise them?

Road tax

Which we pay for the upkeep of the road network, unless you have a foreign car that has been here too long and so far, are enjoying a free ride. This tax in Spain is called IVTM “Impuesto Vehiculos Traccion Mecanico”. Unlike in other countries it is collected by each Town Hall so can vary significantly. It is determined by the power of the car as well as where you live. The period of taxation is 1st January until 31st December, but confusion arises because it can be invoiced at any time throughout the year, but in many cases in the Spring as is the case in much of Alicante province where it is collected by an umbrella organisation known as SUMA.

How about IVA (VAT)?

IVA is levied on all new vehicles at the time of purchase. Second hand vehicles are not charged in the same way, in that it is not a percentage of the purchase price. Motor traders are a business and therefore pay IVA on their transactions. In the case of second hand vehicles they pay IVA on their profit margin which of course is not disclosed to the buyer, but it will be factored into the overall cost

A brand-new car can be purchased in any EU country with the IVA being paid in Spain at the time of registration which will almost certainly save you money due to the opportunity to buy cheaper elsewhere

IVA is paid on non-EU cars coming into Spain; something else to look forward to post Brexit

Import or registration tax

Of all motoring taxes, this is the most contentious. Why should we have to pay a tax on a car being imported from one EU country to another? Good question, cannot give an answer but Spain is not unique; Ireland and Portugal for example also levy this tax and at much higher rates than here. The tax is calculated on the official value of the car, which oddly enough is lower than market value. It is then multiplied by a percentage based upon the CO2 emissions; the lower the emissions the lower the tax

There are four bands of this tax, zero, 4.75%, 9.75% and as a general rule 16%, but this higher one varies between the regions. It is in this area that the unscrupulous who re-register

cars can and do take advantage of the unwary. This tax is paid to the Hacienda who always give a receipt showing how it was calculated. Honest businesses will give an accurate assessment and provide the receipt. I know for a fact that others massage the figures and so no official receipt is forthcoming. This tactic is often used to make up for low headline prices, so always ask for the calculation and receipt

Motorcycle manufacturers do not normally show the emissions so the percentage applied will be the maximum, as it is for cars where no emissions are declared; well it would be, wouldn't it? The only manufacturer that I know of that does provide this information is Triumph via their Spanish HO. A Swedish client in Madrid has just saved over €400 as I was able to get the emissions for his bike from them

Transfer of ownership tax

Is levied on all private vehicle transactions in Spain, a big shock to we Brits. It is generally 4% of value but in the Valencia region is 6 or 8%. Good idea to get the Hacienda value right or you will pay more, yet another reason to use a reputable professional!

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