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Tax free cars

Previously I have written about Change of Residence, the regime under which vehicles owned prior to moving to Spain are re-registered and where the restrictions are virtually zero

Some expats decide after they have lived here a while to buy a different car and in the past, I have given information about going back “home” to buy one. In these circumstances, the Change of Residence rules do not apply as you have already changed your residence before buying your new car (simple eh?).

Many more ex-pats are now going home to buy a car. There are two main reasons for this; one is that some car hire companies have started to shoot themselves in the foot if the many letters about them to the press are to be believed. This year in particular, there was a shortage of hire cars to be had, so some people just couldn't get one and those that did seem to have been charged much more than in the past; this is a simple exercise in supply and demand. Additionally many people have become annoyed by hiring a car and paying for a full tank of petrol when they only use a proportion of the fuel

The second reason is because cars and other vehicles are much cheaper in the UK and some other countries outside of Spain

Both of these situations have given rise to an increased number of enquiries for people who are now going to bring a car to Spain to use when they are staying at their holiday homes or living here permanently

The question as to why vehicles are so expensive in Spain puzzles most of us. There are a number of reasons that have been put forward, though other factors may come into play. Firstly, I think that it is fair to say that cars just do not deteriorate so much in the Spanish climate compared to the wet conditions that prevail in more northern countries and so retain their value for longer. Those of us that have lived near to the sea in the UK will know that salt corrosion in the damp conditions make a mess of our cars. In Spain, even when living on the coast the same damp conditions do not prevail

All cars sold in Spain by dealers must have a warranty; this applies irrespective of the age of the car. As you can imagine older cars are more likely to need some remedial work during the warranty period, which the dealer has to pay for; well of course he doesn't really pay, we all pay by having to spend more in the first place

The other reason concerns a situation that we have come across many times in the course of our business. A number of cars in Spain have built up a fund of unpaid road

taxes, fines etc. When the car is sold, the buyer becomes responsible for these and unless they are paid, the vehicle cannot be transferred to the new owner. A dealer can hardly pass these costs directly onto a new buyer, so ends up building the cost into the price and who can blame him?

The solution to this is to have the Spanish equivalent of an HPI (*Informe de Matricula*) check undertaken before buying, so if you are thinking of buying a Spanish registered car either in Spain or in the UK, have the check undertaken to avoid any nasty surprises. Re-Platemate can take care of this for you. In addition to informing you of any outstanding finance, the Informe will also tell you the name and address of the registered owner (is this the same person that is trying to sell it to you?), when the last ITV inspection was undertaken and how many previous owners there have been.

So we can see that buying a Spanish vehicle can be expensive and may contain traps for the unwary; on the other hand the warranty may come in handy

Whatever your set of wheels and wherever they are purchased, before buying or re-registering seek professional advice from a reliable source. By and large, no in fact in virtually every instance, this is not from the expert at the local bar

It is now becoming clearer why expats are returning home to find a new car. The majority will buy second hand and there is no shortage of bargains to be had as there are more sellers than buyers which of course drives down the price and in virtually every case, the cost of purchase, bringing the car to Spain and paying the costs of re-registration including the notorious import tax is less overall than buying a similar vehicle in our adopted country

Recently, we have had a spate of customers calling us who intend to buy a brand new car back in the UK to bring to Spain. There are a number of advantages of doing this. The first is that you determine the specification of the vehicle from day one, so you can buy a left-hand-drive vehicle if you wish (though many expats still prefer RHD) and specify continental headlights to save you the cost of buying them, as can happen with second hand cars.

As well as a lower purchase price, buying these cars can also save you money in relation to VAT or IVA

Normally when a car is registered at DVLA, you are provided with the registration document known as V5c, which is predominantly blue and green in colour. However if you are buying a brand new car to take out of the UK, you are issued with a registration form VX302 in a nice shade of pink and will have a special registration number commencing between XA-XF.

This entitles you to buy the car without the need to pay VAT though it can be driven on UK roads for two months before you take it to Spain. Technically speaking, you should pay IVA in Spain instead of VAT in the UK, but if you wait until you have owned the car for at least six months and have more than 6000 Km on the clock, it will no longer be classed as brand new at neither Trafico nor the Hacienda (who collect import taxes and IVA), therefore you should not pay IVA

I have been advised by our legal advisors that the Hacienda could subsequently discover that as no VAT/IVA has been paid, it could then be charged retrospectively, but that this is unlikely; so no guarantees, but surely worth the gamble?

Also bear in mind that if you are not yet registered on the Padron, nor have a Residencia, by waiting until you have owned the vehicle for six months you will definitely avoid the import tax. As these two taxes combined will be between 20% and 30% of the car's value, there are significant savings to be made

Whether your vehicle is being imported under change of residence, normal import or tax free, you can see that it could save you a lot of money by seeking professional advice beforehand

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