



Spain - Legal Framework

When considering an energy efficiency retrofit within your national housing market, a wide plethora of consideration needs to be made. Below, we list key findings to facilitate your analysis of the retrofit investment. More details and backgrounds can be found on the website www.rentalcal.eu.

The analysis of rent regulations and modernization cost recovery in Spain show:

- There is freedom to contract and determine the income as rent, so there is no rent control regulation applied in Spain.
- During the term of the contract, the rent can only be updated by the lessor or the tenant on the date of completion of each year of the contract, according to the terms agreed by the parties. Otherwise the rent will be updated by applying the CPI
- In the case of permanent home rented (Urban Rent Act), during first 3 years, the rent should only be updated using the index appeared in the contract. Afterthat, both parts should agree the conditions for the remained one-year period duration.
- It is feasible to increase rental income based on the modernization of air conditioning equipment, among others, always in a negotiated manner.
- More information on the impacts of improvements in energy consumption is lacking
- The Spanish regulation promotes the energy efficiency based on (compulso-ry) the installation of low energy and efficient hitting system for hot water. It is also compulsory to present an energy certificate in case of rental contracts.

The analysis of taxation and depreciation rules in Spain show:

- If the landlord is a private individual, the rules of the Tax on the Challenge apply to individuals (IRPF). This is a progressive tax and the tax rate depends on the total taxable income.
- If the landlord is a company, the corporation tax rules are applied.
- It is possible to deduct expenses related to housing (maintenance, repair, modernization or insurance), but deductions depend on investor type
- The elements that are replaced or modernized, such as boilers, heat pumps, are subject to depreciation, adopting the useful life of the corresponding component for amortization periods.
- Property tax is calculated based on the 0.7%-0.9% of the Cadaster Value.
- Other taxes are levied on the house transaction like 'Impuesto de Plusvalia' (increase value tax', Patrimony and income taxes , ITP (Transaction tax) Notary and Register expenses).

The analysis of building requirements in Spain show:

- Minimum construction and quality are required in Spanish building following the Building Colde (CTE) which establishes compulsory technical requirements in building construction, reforms and rehabilitations. It is updated when new requirements appears.
- Thermal equipment for generating heat in buildings to be replaced, as they are obsolete, must comply with the Thermal Installations in Buildings Regulations.
- Existing buildings whose envelope has been renovated must do so in accordance with the criteria of the Technical Building Code (CTE)
- In general, the CTE is the reference standard for any residential building to be renovated, including thermal improvements both affecting the envelope, windows, roof, facades and ground. No distinction between rented or owned units.
- Any aspect of building potentially available to increase energy savings are included in CTE. So it affects to building envelop insulation as well as energy installations. It also regulates the system of energy efficiency obligations with the Energy Efficiency National Fund.

DATE: 18.04.18