

SPAIN CONSIDERS 100% TAX FOR NON-EU FOREIGN BUYERS



The Spanish government, led by Pedro Sánchez, has introduced historic measures targeting homes purchased by non-EU foreign buyers. This initiative is part of a broader set of reforms addressing the ongoing real estate crisis in Spanish cities and coastal regions.

To confront Spain's escalating housing affordability issue, the government has proposed unprecedented measures in Madrid, including up to 100% tax on properties acquired by non-EU foreigners.

Sánchez stated, "**We have decided to limit the purchase of homes by non-EU foreign buyers by increasing the tax burden they will face when buying property, potentially up to 100% of the property's value.**" He emphasized that this measure is crucial for lowering prices and reducing the financial burden on citizens.

He added, "Scientific evidence from other countries shows that price controls are effective when implemented alongside structural measures in a coordinated and sustained manner over time."

Similar experiences inspire this proposal in Denmark and Canada, where price controls and restrictions on the real estate market have led to positive outcomes when paired with structural reform. However, the future of this proposal remains uncertain because of a problematic parliamentary landscape.

In addition to implementing a tax, structural reforms are considered to increase the supply of affordable housing. One key proposal is creating a public housing agency to manage approximately 2 million square meters of residential land, aiming to reclaim a significant portion of the market from the private sector.

The proposed National State Housing Plan includes several key initiatives:

- Increasing taxes on vacation rentals.
- Offering tax breaks and protections for landlords who provide affordable housing.
- Implementing legal reforms to streamline construction processes.
- Expanding the land available for private construction.

Additionally, the government aims to pay more attention to public housing, which has been neglected in recent decades. This initiative is intended to help mitigate the impact of eliminating the "golden visa" program, which previously allowed foreigners to obtain residency by investing over 500,000 euros in real estate.

Growing Problem of the Lack of Housing

Like many other developed countries, Spain has faced an increasing disparity between citizens' incomes and housing costs, which has worsened in recent years.

Cities such as Barcelona and Madrid, well-known for their popular tourist attractions, monuments,

and "Instagrammable" locations, are among the hardest hit. Rental prices in these main Spanish cities have skyrocketed, while incomes, especially for young people, have remained stagnant.

A significant part of this issue stems from tourism, an economic driver for many countries, but it also has negative consequences. In 2024, over 88.5 million tourists are expected to visit Spain, according to official data. The rise in short-term rentals led to reduced availability of homes for residents and increased prices. Property owners can often charge much higher rents to tourists, reaping profits in just a few days that far exceed what a typical resident could pay in a month.

In response, cities like Barcelona have already taken drastic measures, committing to eliminate short-term rentals for tourists in the coming years.

Mr. Sánchez emphasized that the government must prioritize residential apartment use and control speculative and tourist use, which he argued negatively affects local communities.

Impact on Foreign Buyers

In 2023, non-EU foreign buyers viewed Spain as a lucrative opportunity, acquiring 27,000 properties, primarily for investment or as holiday homes.

Sánchez contended that **these purchases contribute to rising prices, which, in turn, displace residents to outlying areas due to their inability to afford the rents demanded by landlords.**

However, experts question the effectiveness of the measures proposed by the government. They note that building barriers to market functions ultimately harms everyone, arguing that foreign investors play a significant role in developing the country's real estate market and creating jobs.

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