

# RENTAL GUIDE



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# Rental Guide

We have added an extensive rental guide below for your perusal. Download.

## Short Term



## Long Term



### DESCRIPTION

Short-term or holiday rentals offer owners and property investors on the Costa del Sol an enticing opportunity for above-average returns on investment, albeit with increased costs and responsibilities compared to long-term leasing. This guide addresses common queries from landlords and investors, offering valuable insights to help you determine if short-term renting is the right choice for you.

Long-term rentals present property owners and investors with a reliable avenue to monetize real estate consistently, affording them the opportunity to offset expenses and potentially yield profits throughout the lease term. However, it's important to note that the legal responsibilities associated with long-term property rentals in Spain tend to lean in favor of tenants, placing certain constraints on landlords' rights. The following guide addresses common inquiries posed by landlords and offers insights to aid in determining whether long-term renting aligns with your objectives.

### RENTAL PROCESS

Each tenancy requires a separate contract, outlining terms and conditions, with standard provisions if specifics are omitted.

Long-term rental contracts can last for any agreed-upon period. If the initial term is less than 5 years (7 years for corporate landlords), it automatically renews for 12-month periods up to a maximum of 5/7 years, unless terminated by either party with proper notice.

### REQUIRED SERVICES

Owners must provide essential amenities, cleaning services, and tenant information packages, including local tourist information and complaint forms.

Not required.

### PRICING

Short-term rental rates, especially in summer, are substantially higher than long-term rates. Consider utility and cleaning costs when determining pricing.

Rental prices are negotiable, and landlords should determine them based on market rates. Consulting experts can help establish optimal pricing.

### DEPOSITS

Deposit amounts are at the owner's discretion, typically exceeding two weeks for holiday rentals.

The minimum deposit for private landlords is one month's rent, with additional guarantees for contracts up to 5 years. Corporate landlords have similar conditions for contracts up to 7 years.

### INSURANCE

For landlords renting properties for short-term periods, especially for tourist accommodation, we recommend obtaining comprehensive insurance coverage similar to that for long-term rentals. Additionally, landlords should ensure liability coverage extends to tenants.

### LAW

Unlike long-term leases regulated by national law, the tourism rental market in Spain is governed by regulations set by each autonomous community. We recommend consulting with your rental management agency or lawyer.

### LEGAL REQUIREMENTS

Property owners must submit a declaration of compliance with regional laws, obtain a unique registration number, and ensure occupancy licenses from the local town hall.



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### TAX RESIDENT

If you are a private individual and tax resident in Spain, you must declare any rental earnings on your annual income tax return (IRPF or Impuesto de Renta de Personas Físicas). The tax amount depends on your total income for the fiscal year, with deductions available for various expenses such as maintenance costs, annual depreciation, mortgage interest, and community charges. Landlords can reduce net profits by 60% when renting to tenants for primary residence use. For Spanish companies, rental profits are taxed at the standard corporate rate of 25%, with a reduced rate of 15% for newly established companies in their first two years.

TPO, or the Impuesto de Transmisiones Patrimoniales Onerosas, is applicable when renting properties to private tenants for long-term use. Under a long-term rental agreement, the monthly rent charged is exempt from VAT (IVA in Spanish) but is subject to TPO. This tax is calculated based on the taxable base of the rent payable throughout the duration of the contract.

### NON TAX RESIDENT IN SPAIN

Non-resident landlords, whether individuals or companies, are subject to different tax rates depending on their tax jurisdiction. European Union tax residents pay 19% of net income, while non-EU residents pay a fixed rate of 24% of gross income. Quarterly income declaration and tax payment using form 210 are mandatory for both categories.

### VAT IMPLICATIONS

Landlords renting properties for short-term tourist accommodation and providing services, such as cleaning, are obligated to charge VAT at a fixed rate of 10% on top of the rental fee. Quarterly VAT declaration using form 303 is mandatory, reflecting both output VAT (paid by tenants) and input VAT (paid by landlords for property-related services).

Long-term rental contracts are exempt from VAT but subject to a Transfer Tax (TPO). The TPO amount is calculated based on the taxable base of rent payable over the contract term. Specific conditions apply for contract duration and primary residence status. Quarterly TPO payment is mandatory, with landlords held liable if tenants fail to provide proof of payment alongside the first month's rent.

### PROFESSIONAL ASSISTANCE

“Consider utilizing professional agents, to handle marketing, contract signing, tenant management, cleaning, and maintenance, ensuring a hassle-free rental experience. Whether you opt for self-management or professional assistance, understanding legal obligations and market dynamics is crucial for successful short-term rentals on the Costa del Sol.”

While landlords can handle property rental tasks themselves, estate agents can provide valuable assistance. It's also advisable to consult a lawyer before signing any agreement.

### AGENCY FEES: WHAT IT COSTS TO RENT

For short-term lets, landlords can expect an average charge of 20% of the total rental price, plus 21% VAT. This fee covers various services such as advertising, contract management, deposit handling, and client support.

For long-term lets, the charge is equivalent to one month's rent, plus 21% VAT, covering similar services tailored to long-term rental agreements.