

Form 720: Informative tax return on assets and rights located outside Spain

The Form 720- and, more recently, Form 721 – become relevant for taxpayers when assets are held abroad: a bank account opened years ago, an overseas investment, crypto currencies, or even an inherited property may trigger reporting obligations that many individuals are unaware of. Although these filings do not involve the direct payment of taxes, their legal and tax implications have historically been significant, making them a recurring source of attention and discussion.

In this note, we will explain when the filing obligation arises, which assets must be reported, and the applicable reporting thresholds.

AITOR BURGOA MARTÍN

Life Fiscal Team

As we have been reporting for several years, residents in Spain (individuals and companies) are obliged to inform to the Spanish Tax Authorities about assets and rights hold abroad; this obligation must be reviewed on an annual basis.

Companies are relieved from this obligation if they properly record these assets in their accounting.

Who is subject to this obligation?

Individuals who are tax residents in Spain must file Form 720 when, at December 31st of a certain fiscal year, they are holders, authorized persons, representatives, beneficiaries, policyholders, who have power of disposal or hold any other form of ownership over any of the following groups of assets and rights, provided that they are located abroad.

Taxable event

I). If the individual has not been required to file this form in previous years:

- ⇒ Bank accounts (as a whole) with a total balance of more than EUR 50,000 on December 31st or with an average balance of the last quarter higher than EUR 50,000.
- ⇒ Securities, investment funds, rights, insurance, trusts, temporary or life annuities and pension plans with the right to redemption with a value (as a whole) higher than EUR 50,000 on December 31st.
- ⇒ Real estate or rights over them, with an acquisition value over EUR 50,000 on December 31st.

II). Once this form has been filed for a particular year, it should only be filed again in subsequent years if any of the following circumstances apply:

- ⇒ That the joint value of any of the blocks not previously reported exceeds EUR 50,000.
- ⇒ That the joint value of one of the blocks of assets and rights previously declared has experienced an increase of more than EUR 20,000.
- ⇒ That the ownership of the previously declared assets or rights has been extinguished at some point during the fiscal year.

The filing **deadline** ends on **March 31** of the year following the one to which the return refers.

Non-compliance

In line with the Judgment of the Court of Justice of the European Union of 27 January 2022 (Case C-788/19), the penalty regime applicable to Form 720 should be interpreted within the general system of the Spanish General Tax Law, with the applicable infringements to be determined, according to the specific breach involved, under Articles 198 and 199 of the General Tax Law.

Form 721: Informative tax return on virtual currencies located outside Spain

As of 2023, the same taxpayers as for the Form 720, will have the obligation to report on the ownership of virtual currencies located outside Spain, whether they are beneficiaries, authorized person or otherwise have the power of disposal, provided that value of the currencies held exceeds EUR 50,000 on December 31st.

This reporting obligation also extends to individuals who have been holders, authorized persons, or beneficiaries of virtual currencies, even if they no longer held that status at December 31.

At LIFE Abogados we place our expertise at your disposal to address any questions you may have and to assist you with the informative tax return.

Legal notice: The content of this document shall not under any circumstances be considered as legal advice or a legal recommendation of any kind. For further information, please visit our website at: lifefiscal.com, or contact us at the following email address: comunicacion@lifefiscal.com