

MURODEL
WEALTH MANAGEMENT

PRACTICAL GUIDE · SUCCESSION · FAMILY BUSINESS

Practical guide to inheritance and succession planning

Planning the transfer of wealth and of the family business, formalities after death and applicable taxation in Spain.

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SUCCESSION · FAMILY BUSINESS

Succession planning

Succession planning consists of organising, during one's lifetime, the transfer of wealth: to whom, in what form and when. It makes it possible to apply the available tax reliefs, to provide the liquidity needed to pay the taxes and to ensure the continuity of the family business.

Inheritance and Gift Tax is a state tax ceded to the autonomous communities, which may approve their own reductions, rates and allowances. As a result, the tax burden on the same inheritance varies significantly depending on the deceased's community of residence. This guide sets out the general regime and, by way of example, the rules of the Community of Madrid and Andalusia.

AT A GLANCE

6 months	Deadline for filing Inheritance Tax, extendable by a further six.
95%	State relief on the transfer of a family business, improved by several communities.
7.65–34%	State Inheritance and Gift Tax scale.
5 years	Period of residence that determines the competent autonomous community.

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01 · PLANNING

Lifetime planning instruments

Will and forced heirship

Under Spanish common civil law, descendants are entitled to two thirds of the estate: one third as **strict forced share**, divided equally, and one third as **improvement share**, which may be allocated to one or more of them. The remaining third is **freely disposable**. The surviving spouse is entitled to the usufruct of the improvement third.

Catalonia, Aragon, Navarre, the Basque Country, Galicia and the Balearic Islands have their own civil law, with different rules and, in some cases, succession agreements are permitted. The applicable law depends on the deceased's civil regional status (vecindad civil) and not on their tax residence.

In the absence of a will, succession is governed by the rules on intestacy and requires a declaration of heirs.

Gifts

They allow the transfer to be brought forward. The most common arrangements are the gift of **bare ownership with reservation of usufruct** and the **waiver of collation**, which prevents the gift from being taken into account when the estate is divided.

The effect on the **donor's personal income tax** should be assessed: gifting assets with an unrealised gain generates a capital gain, whereas no such tax arises on transfer upon death.

Liquidity and insurance

The deceased's balances remain frozen until payment of the tax or exemption is proven. **Life insurance** with a designated beneficiary is paid outside the division of the estate and provides immediate liquidity. Beneficiary designations for insurance and pension plans do not follow the provisions of the will.

Family business

- **Family protocol:** agreement on governance, entry of family members, dividends and transfer of shares. It may be published in the Commercial Registry (Royal Decree 171/2007).
- **Articles of association and shareholders' agreements:** restrictions on transfer, pre-emption rights and enhanced majorities.
- **Lasting powers of attorney** and voluntary support measures (Law 8/2021) to provide for the management of wealth in the event of loss of capacity.

02 · FAMILY BUSINESS

Tax regime for the family business

The tax treatment of the family business spans three taxes and requires common conditions to be met on the date the tax accrues.

Requirements

1. **Economic activity:** the entity's main activity cannot be the management of a securities or real estate portfolio. For letting of property, at least one person employed under a full-time employment contract is required.
2. **Shareholding:** at least 5% individually or 20% jointly with the spouse, ascendants, descendants or second-degree collateral relatives.
3. **Management functions:** a member of the family group must effectively perform them and receive for them more than 50% of their employment and business income.

The relief applies only to the portion of the value corresponding to assets used in the activity, less the debts arising from it.

Wealth Tax

Shares meeting the requirements are **exempt** from Wealth Tax and the Temporary Solidarity Tax on Large Fortunes, in the proportion corresponding to business assets (Article 4.Eight of Law 19/1991).

Inheritance and Gift Tax

Law 29/1987 provides a **95% reduction** in the value of the business or the shares:

- **Acquisitions upon death** (Article 20.2.c): spouse, descendants or adopted children and, failing them, ascendants and collateral relatives up to the third degree. Holding period of ten years.
- **Gifts** (Article 20.6): donor aged 65 or over or with total permanent disability or severe disability, who ceases to perform and be paid for management functions. Holding period of ten years.

The autonomous communities may improve this reduction. The **Community of Madrid** raises it to **99%** from 1 July 2026 (Law 3/2026), extends the beneficiaries, removes the age and management-withdrawal requirements for gifts and reduces the holding period to five years. **Andalusia** also raises it to **99%**. The regional reduction is incompatible with the state one.

Personal income tax

A gift of shares that meets the requirements of the state reduction **does not generate a capital gain** for the donor (Article 33.3.c of the IRPF Law); the donee takes over the acquisition value and date. This deferral requires the conditions of the state rule to be met even if the gift benefits from a more flexible regional reduction.

03 · FORMALITIES

Formalities and deadlines after death

Timeline

Deadline	Formality
Initial	Death certificate issued by the Civil Registry.
From 15 business days	Certificates of last wills and of insurance contracts covering death.
First month	Authorised copy of the last will or declaration of heirs before a notary. Certificates of balances and positions at the date of death.
Before the fifth month	Application, where appropriate, for an extension of the Inheritance Tax deadline.
Six months	Self-assessment of Inheritance Tax and of the Tax on the Increase in Value of Urban Land.
Subsequently	Deed of acceptance and allocation of the estate, registration and change of ownership of assets and rights.
Following year	The deceased's personal income tax return for the year of death, filed by the heirs.

Extension and surcharges

The Inheritance Tax extension is **six months** and accrues late-payment interest. For the Tax on the Increase in Value of Urban Land, it can be extended up to one year. Late filing without prior demand entails a surcharge of **1% plus an additional 1% for each full month** of delay (Article 27 of the General Tax Law).

Financial institutions

Depositary institutions are **secondarily liable** for the tax if they release the deceased's assets without proof of payment or exemption (Article 8 of Law 29/1987). For this reason, they require the succession documents and the self-assessment before releasing balances.

04 · TAXATION

Inheritance Tax

The rules of the autonomous community in which the deceased had their habitual residence for the greatest number of days in the five years before death apply.

Calculation

1. **Tax base:** net value of the assets and rights acquired, plus household effects (3% of the estate, unless proven otherwise).
2. **Reductions:** for kinship, main home, family business, life insurance or disability.
3. **Scale:** progressive state scale from **7.65% to 34%**, unless there is a specific regional scale.
4. **Multiplying coefficient:** depending on the kinship group and the heir's pre-existing wealth.
5. Regional **allowances** on the tax liability.

Multiplying coefficients

Pre-existing wealth	Groups I and II	Group III	Group IV
Up to €402,678.11	1.0000	1.5882	2.0000
402,678.11 to €2,007,380.43	1.0500	1.6676	2.1000
2,007,380.43 to €4,020,770.98	1.1000	1.7471	2.2000
Over €4,020,770.98	1.2000	1.9059	2.4000

Group I: descendants under 21. Group II: descendants aged 21 or over, spouse and ascendants. Group III: second- and third-degree collateral relatives and in-laws. Group IV: fourth-degree collateral relatives, more distant relatives and unrelated persons.

Regional rules: Madrid and Andalusia

	Community of Madrid	Andalusia
Kinship reduction	Group I: €16,000 plus €4,000 for each year under 21 (max. €48,000). Group II: €16,000. Group III: €8,000	Groups I and II: up to €1,000,000. Group III: up to €10,000
Scale	Own scale, from 7.65% to 34%	Own scale, from 7% to 26%
Allowance on the tax	99% groups I and II; 50% group III	99% groups I and II
Family business	99% reduction	99% reduction

Example

A 45-year-old descendant with pre-existing wealth below €402,678 inherits assets worth €800,000, including the deceased's main home valued at €300,000. In the **Community of Madrid**, after the kinship reduction (€16,000) and the main home reduction (limit of €123,000), the taxable base amounts to €661,000 and the tax, after the 99% allowance, is around **€1,600**. In **Andalusia**, the regional reduction of up to €1,000,000 results in a nil taxable base.

05 · OTHER TAXES

Municipal capital gains tax and personal income tax

Municipal capital gains tax

The Tax on the Increase in Value of Urban Land applies to transfers of urban property, including upon death. Following Constitutional Court Judgment 182/2021 of 26 October, Royal Decree-Law 26/2021 allows a choice between the objective method (cadastral value of the land multiplied by a coefficient) and the actual gain, and no tax is due where there is no increase in value. Municipalities may grant allowances of up to 95% on transfers upon death to descendants, ascendants and spouses.

Deceased's main home	Madrid City Council	Málaga City Council
Beneficiaries	Descendants, ascendants and spouse	Heirs who lived with the deceased for the previous two years
Allowance	95% to 40% depending on the cadastral value of the land	95% to 25% depending on the cadastral value of the home

Personal income tax

The acquisition by inheritance is not subject to personal income tax. The deceased's unrealised capital gain is not taxed and the heirs acquire the assets at the value declared for Inheritance Tax. **Pension plans** do not form part of the estate: the beneficiary is taxed under personal income tax as employment income. **Life insurance** is subject to Inheritance Tax.

06 · CASE LAW

Recent court criteria

Letting within family groups

Supreme Court judgments **167/2026 of 17 February and 186/2026 of 19 February** accept that the employee requirement for classifying letting as an economic activity may be assessed by reference to the structure of the family group rather than each company in isolation. **Supreme Court judgment 956/2025** had held that it is sufficient to prove the requirements of Article 27.2 of the IRPF Law.

Remuneration for management functions

The courts require both the effective performance of management functions and their remuneration to be proven. Judgment 659/2026 of the High Court of Justice of Madrid of 2 October refuses to count the taxpayer's own agricultural income as such.

In March 2026 the Supreme Court admitted an appeal in cassation on the personal income tax consequences for the donee when the family business requirements are not met.

FAQ

Frequently asked questions

Which regional rules apply if the heirs live in another community?	Those of the autonomous community in which the deceased had their habitual residence for the most days in the previous five years, regardless of where the heirs live.
Can an inheritance be renounced?	Yes, by public deed before a notary. The renunciation is total. To limit liability for debts, acceptance with benefit of inventory is available.
What is the tax difference between gifting and inheriting?	Gifting assets with an unrealised gain generates a capital gain in the donor's personal income tax, except for a family business meeting the legal requirements. On inheritance, that gain is not taxed.

REFERENCES

Legislation and case law

Provisions and rulings cited in this guide. The wording in force should be verified in each case in the Spanish Official State Gazette (BOE), the regional gazettes and the electronic office of the Spanish Tax Agency.

Legislation

- Civil Code, Articles 806 to 840 (forced heirship), 912 et seq. (intestacy) and 1035 to 1050 (collation); Law 15/2015 on Voluntary Jurisdiction.
- Law 29/1987 on Inheritance and Gift Tax, Articles 8, 20, 21 and 22, and Royal Decree 1629/1991.
- Law 19/1991 on Wealth Tax, Article 4.Eight, and Royal Decree 1704/1999.
- Law 35/2006 on Personal Income Tax, Article 33.3, and Law 58/2003, General Tax Law, Article 27.
- Royal Legislative Decree 2/2004, consolidated text of the Law on Local Finances, Articles 104 to 110, and Royal Decree-Law 26/2021.
- Legislative Decree 1/2010 of the Community of Madrid, as amended by Laws 2/2025 and 3/2026.
- Law 5/2021 on Ceded Taxes of the Autonomous Community of Andalusia.
- Tax by-laws on the Tax on the Increase in Value of Urban Land of the Madrid and Málaga City Councils.

Case law and administrative doctrine

- Constitutional Court, Judgment 182/2021 of 26 October (method of calculating the Tax on the Increase in Value of Urban Land).
- Supreme Court, judgments 956/2025, 167/2026 of 17 February and 186/2026 of 19 February.
- High Court of Justice of Madrid, judgment 659/2026 of 2 October.
- Supreme Court, order of admission of 11 March 2026 (appeal 2557/2025).

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WEALTH MANAGEMENT

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