



**Procedures to recover overpaid amounts  
to Madrid Municipality  
due to Tax on Gains in Value of Urban Land  
("Plusvalía Municipal")**

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The Tax on Gains in Value of Urban Land is ruled by articles 104 to 111 of Royal Legislative Decree 2/2004 of 5 March, which approves the Consolidated Text of the Law regulating Local Tax Authorities, *and in Madrid, by the Tax Ordinance regarding Tax on Gains in Value of Urban Land.*

**Madrid Municipality is not applying correctly its own local tax ordinance and therefore overcharging taxpayers.**

**¿How much could reach the undue payments and how could them be claimed?**

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**Madrid Municipality acts against its own Tax Ordinance because it is not calculating properly the taxable base.**

To understand the calculation method that Madrid Municipality is using, we will compare the amount of land value increase (taxable base) with the increase that the VAT (value added tax) causes on invoices (even knowing that these are different taxes)

One invoice of 121.000 €, VAT included (being VAT 21%.)

¿What is the increase that VAT has caused?

$$INCREASE = \frac{121,000 \text{ €} * 21\%}{1 + 21\%} = 21,000 \text{ €}$$

It means, that the invoice total amount is composed by 100.000 € base and 21.000 € increase due to VAT, being this increase due to VAT equal than base 21% increase.

$$100,000 \text{ €} + (100,000 \text{ €} * 21\%) = 100,000 + 21,000 = 121,000 \text{ €}$$

¿How is Madrid Municipality calculating land value increase?

$$INCREASE = 121,000 \text{ €} * 21\% = 25,410 \text{ €}$$

Therefore for Madrid Municipality the original amount was not 100,000 €, but **95,590 €** and the 21% increase is transformed into a real increase of 26.58%.

$$95,590 \text{ €} + (95,590 \text{ €} * 26,58\%) = 95,590 + 25,541 = 121,000 \text{ €}$$

**The term to file the claim is 4 years**

For instance, in accordance with the increase percentages established on 2013 Madrid Municipality Tax Ordinance and for a due tax rate of 29%, for every 10,000 euros of paid Tax (on Gains in Value of Urban Land) and depending on tax accrual years, the amount that could be claimed would be:

<p><b>MADRID ORDINANCE 2013</b></p> <p>TAX RATE: <b>29%</b></p> <p>FOR EACH 10,000 € OF PAID TAX COULD BE CLAIMED:</p>	<b>YEARS</b>	<b>REFUND</b>	<b>YEARS</b>	<b>REFUND</b>
	1	356,80	11	2.603,55
	2	689,01	12	2.774,57
	3	999,10	13	2.937,85
	4	1.289,20	14	3.093,92
	5	1.561,18	15	3.243,24
	6	1.735,54	16	3.243,24
	7	1.967,87	17	3.377,48
	8	2.187,50	18	3.506,49
	9	2.395,44	19	3.630,57
	10	2.592,59	20	3.750,00

Depending on accrued gains period, amounts to be claimed range from more than 3.5% on one year accrued gains, 26% on 10 years accrued gains, and up to 37.5% on 20 years accrued gains or even more. All percentages are calculated over total paid amounts.





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**Contact us so we can study your case and explain you in detail our procedures to recover overpaid amounts from Madrid Municipality.**