

# Solar Panels & Capital Gains Tax

What property owners in Spain need to know

If you have installed solar panels on your Spanish property — or are considering doing so — it is worth understanding how this can affect your capital gains tax (CGT) liability when you eventually come to sell.

## How CGT works on Spanish property sales

In Spain, CGT — known as *Impuesto sobre la Ganancia Patrimonial* — is calculated on the difference between your original acquisition cost and the price you sell for. The higher your acquisition cost, the lower your taxable gain.

One legitimate and often overlooked way to increase your acquisition cost is by adding the value of qualifying improvements (*mejoras*) made to the property during your ownership.

## Does solar panel installation qualify as a mejora?

Yes — solar panel installation is generally treated as a *mejora* (a capital improvement) rather than routine maintenance or repair. This is because it enhances both the value and the functionality of the property on a permanent basis.

As a result, the cost of your solar installation can typically be added to your acquisition value, directly reducing the gain on which you are taxed when you sell. Battery storage systems installed as part of the same project would also likely qualify.

## What you will need to keep

- ✓ Original invoices from your installer
- ✓ Proof of payment (bank transfer records or receipts)
- ✓ Any building permits or municipal notifications obtained at the time
- ✓ Evidence that the installation is a permanent fixture (not portable equipment)

## An important caveat: no double-claiming

If you have previously claimed the cost of your solar installation as a tax deduction elsewhere — for example as an energy efficiency deduction on your annual income tax return — you will not be able to also use it to reduce your CGT. Spanish tax law does not permit the same expenditure to be claimed twice.

## What about the plusvalía municipal?

The *plusvalía municipal* is a separate local tax levied by the town hall on the increase in land value since you purchased. It is calculated using a different formula and is not affected by improvement costs, so solar panels will not reduce this element of your sale costs.

### Professional advice

Tax treatment of specific improvements can vary depending on individual circumstances and may be subject to change. We always recommend discussing your situation with a qualified *gestor* or tax advisor before your sale to confirm how these rules apply to you.