



GES NewsFlash

Spain – Amendment to the Spanish Personal Income Tax Legislation

January 26, 2010

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Summary

Changes have been introduced in the Spanish Personal Income Tax Law and Non Resident Income Tax Law by means of Act 26/2009, of 23 December 2009 of National Budget for 2010, in force from 1 January 2010.

Increase on the tax rate applicable to interests, dividends and capital gains derived from the sale of assets

With effects from 1 January 2010, the tax rate applicable to bank interests, dividends and capital gains derived from the sale of assets have been increased. The new tax rate is 19% for income received up to 6,000 Euros and 21% for income received over 6,001 Euros. The previous tax rate applicable to this type of income was a flat rate of 18%.

In the case of Spanish non-tax residents, the tax rate has been increased to 19%, regardless of the level of income received. The previous tax rate applicable to this type of income was also 18%.

Spanish Special Tax regime for inbound assignees

In order to apply for the Spanish Special Tax regime for inbound assignees, a new additional requirement has been added with effects from 1 January 2010. The new requirement would exclude the possibility to apply the special tax regime those inbound assignees whose foreseeable annual gross employment income is over €600,000, i.e. employees whose annual earnings exceed this limit would not be eligible for the special tax regime and would be taxed under Personal Income tax rules for tax resident individuals (which basically means taxation on worldwide basis according to a progressive tax scale, being maximum marginal tax rate 43%).

This new requirement is only applicable to employees who come to Spain after 31 December 2009.

Government deduction

With effects from 1 January 2010, the government deduction of 400 Euros applicable to all Spanish tax residents working in Spain is modified and only applies to Spanish tax residents working in Spain whose annual taxable base amounts to less than 12,000 Euros.

Reduction of the net income in respect of economic activities

Individuals who obtain income in respect of economic activities can avail of a tax reduction with effects from 1 January 2009. These individuals can avail of a 20% tax reduction on their net income for years 2009, 2010 and 2011 if their total turnover is less than 5 million Euro and they employ less than 25 workers, provided that they maintain or create employment.

Deloitte's View

Modifications refer mainly to taxation on investment income and certain capital gains with an important increase in the tax rate applicable to income over 600,001 Euros (from 18% to 21%).

Rates included in the progressive tax scale for tax resident individuals who are applicable to general income (all types of income apart from investment income and capital gains derived from the sale of assets) remain the same. Maximum marginal tax rate (43%) has not been changed.

As regards special tax regime for inbound assignees it is important to bear in mind that this remains valid for those employees who arrived in Spain before 1 January 2010. The € 600.000 exclusion shall not apply to them.

People to Contact

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