

GES NewsFlash

Spain — Tax measures to tackle public deficit

January 11, 2012

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Amendments to Spanish personal income tax act

ROYAL-DECREE LAW 20/2011, OF 30 DECEMBER, REGARDING BUDGETARY, TAX AND FINANCIAL URGENT MEASURES TO TACKLE PUBLIC DEFICIT

The Spanish government elected last November 2011 published last 30 December a Royal Decree that contains urgent budgetary, tax, and financial measures to tackle the Spanish public deficit.

Amendments to Spanish nonresident income tax act

These new austerity measures have increased a number of tax rates and are effective as from 1 January 2012 in most cases.

The most significant measures in respect of personal income tax regarding Spanish tax residents and Spanish nontax residents are as follows:

Amendments to Spanish personal income tax act

- Additional tax to the personal income tax rates for employment income

An additional tax to the general personal income tax rates for employment income has been approved for years 2012 and 2013.

The additional tax rates range from 0.75% for the first tax bracket to 7% for income exceeding the new tax bracket of EUR 300,000 established for purposes of the additional tax.

Likewise, for years 2012 and 2013 the withholding tax rates regarding employment income have been increased according to the additional tax abovementioned.

The resulting personal income withholding tax scales would be as follows:

2012 and 2013 Spanish withholding tax rates				
Net taxable Base Up to – Euro	Withholding tax quota Euro	Remaining net taxable base Up to - Euro	Applicable tax rate Up to - Euro	(Tax rate increase)
0	0,00	17.707,20	24,75%	0,75%
17.707,20	4.382,52	15.300,00	30,00%	2,00%
33.007,20	8.972,52	20.400,00	40,00%	3,00%
53.407,20	17.132,52	66.593,00	47,00%	4,00%
120.000,20	48.431,24	55.000,00	49,00%	5,00%
175.000,20	75.381,24	125.000,00	51,00%	6,00%
300.000,20	139.131,24	onwards	52,00% ^[1]	7,00%

^[1] Please note that in Catalunya the maximum final personal income tax rate reaches up to 56%.

Deloitte's view

People to contact

The resulting tax would be reduced by applying the minimum personal allowances which were already in force.

The increased personal income withholding tax scale should be applicable to employment income received from 1 February 2012. In this sense, the withholding taxes regarding employment income obtained in January 2012 should be calculated taking into account the tax rates in force before the publication of this Royal Decree.

Notwithstanding, the appropriate tax rate regularization should take place in February.

- **Additional tax to savings income**

Additional tax to former tax rates for savings income has also been approved for years 2012 and 2013.

The resulting personal income withholding tax scales would be as follows:

2012 and 2013 Spanish tax rates for savings income				
Net taxable Base Up to - Euro	Withholding tax quota Euro	Remaining net taxable base Up to - Euro	Applicable tax rate Up to – Euro	(Tax rate increase)
0	0	6.000,00	21,00%	2,00%
6.000,00	1.260,00	18.000,00	25,00%	4,00%
24.000,00	5.760,00	onwards	27,00%	6,00%

Regarding the withholding taxes to be applied to the savings income obtained by an individual considered Spanish tax resident, the tax rate has been increased from 19% to 21%

- **Other withholding tax rates modified**

For years 2012 and 2013 the withholding tax rate applicable to director's fees has been increased from 35% to 42%.

- **Deduction for the acquisition of a new habitual home**

With retroactive effects from 1 January 2011, the Government has restored the deduction for the acquisition of a new habitual home that the previous Government had abolished.

Amendments to Spanish nonresident income tax act

For years 2012 and 2013, the tax rates applicable to Spanish nontax residents without a permanent establishment have been increased as follows:

- Employment income: the tax rate applicable to the gross employment income received by a Spanish nontax resident has been increased from 24% to 24,75%
- Private income: the tax rate applicable to private income received by a Spanish nontax resident has been increased from 19% to 21%

The abovementioned tax rates would also be applicable to obtain the appropriate withholding taxes that should be operated to the income received by Spanish nontax resident individuals.

Deloitte's view

- Since these measures to tackle public deficit would be — in principle — only applicable for years 2012 and 2013, companies could implement deferred income payable to its employees/assignees after 31 December 2013 in order to apply tax savings.

- Individuals who are planning to sell their properties in 2012 and 2013 and who as a consequence of this would be subject to taxation in Spain, should assess their situation and the tax impact resulting from selling their properties within these two years.

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