

July 30, 2015  
2015-094

## flash Alert

A Publication for Global Mobility and Tax Professionals by Global Mobility Services Practice

### Spain – Reduced Tax Rates, Changes to PIT, Nonresident Taxation Regulations

by María Inés Maestre, Igor Diego Angulo, and Gonzalo Álvarez-Yuste, KPMG Abogados, Madrid (KPMG Abogados in Spain is a KPMG International member firm)

Spain has amended the personal income tax system, by (i) retroactively modifying personal income tax rates (with effect from January 1, 2015), (ii) reducing the general nonresident income tax rate for residents of the EU or a EEA member state with an effective exchange of tax information agreement in force, and (iii) altering the withholding rates, amongst other things.

#### Why This Matters

Many cross-border workers subject to taxation in Spain could see their tax liabilities fall with the tax changes introduced by Royal Decree-Law 9/2015. This may mean for some employers lower international assignment costs.

The tax changes may affect cost projections for future assignees and budgeting for international assignments to Spain or from Spain where the assignee will be subject to Spanish taxation. Furthermore, the resultant tax differential may impact tax equalizations.

#### Background

On July 11, 2015, measures in Spain's Royal Decree 633/2015<sup>1</sup> were introduced modifying the Personal Income Tax Regulation (PITR) and Non-Residents Income Tax Regulation (NRITR). The amendments follow on the recent changes made to the Personal Income Tax Law (PITL) and Non-Residents Income Tax Law (NRITL) with effect from January 2015, which readers can learn about by accessing our prior report in [Flash International Executive Alert 2014-120](#), December 18, 2014.

In addition, also on July 11, 2015, Royal Decree-Law 9/2015<sup>2</sup> ushered in urgent tax measures aimed at reducing personal income tax burdens, which included a new PIT scale of rates in force as of July 12, 2015 – this has retroactive effect to January 1, 2015.

The modifications to the PITR and NRITR under Royal Decree 633/2015 affecting capital gains (including the so-called “exit tax”) and the special tax regime for *impatriates*, will be examined in a separate GMS *Flash Alert*.

#### Lowered Personal Income Tax for 2015

As of July 12, 2015, personal income tax rates have been retroactively modified, with effect from January 1, 2015. The modification results in a reduction in tax rates that will save taxpayers up to an estimated EUR 1.5 million (as per the Spanish government's estimation included in the prologue of Royal Decree-Law 9/2015).

The reduction will affect both the tax rates on general taxable income and the tax rates on savings income, as noted below.

### General Taxable Income

The scale of new tax rates established by the central government apply to general taxable income (composed of employment income, real estate-related income, and professional activities income). The rates may vary depending on the Autonomous Region (*Comunidad Autónoma*) where the taxpayer is resident.

As a consequence – and assuming that the scale of rates in the Autonomous Region coincided with the one established by the central government – the general aggregated *minimum* marginal tax rate would be reduced from 20 percent to 19 percent. Furthermore, the general aggregated maximum marginal tax rate would also be reduced from the original 47 percent to 45 percent.

The general rates for the part of the scale established by the central government on general taxable income for fiscal year 2015 will be as follows:

Taxable base	Tax due	Rest of taxable base	Applicable Tax rate
Up to EUR	EUR	Up to EUR	Percentage
0.00	0.00	12,450.00	9.50
12,450.00	1,182.75	7,750.00	12.00
20,200.00	2,112.75	13,800.00	15.00
34,000.00	4,182.75	26,000.00	18.50
60,000.00	8,992.75	Henceforth	22.50

### Savings Income

This tax reduction also impacts the rates applicable to savings income. For 2015, a transitional rate with retroactive effect will be applicable from January to December 2015.

A comparative chart is shown below with the rates on savings income applicable for 2014, and the new ones versus the former ones planned for 2015 and for 2016.

Taxable Base	Percentage			
	2014	2015	2015*	2016
Up to EUR 6,000	21.00	20.00	19.50	19.00
6,000 - 24,000	25.00	22.00	21.50	21.00
24,000 - 50,000	27.00	22.00	21.50	21.00
50,000 - Henceforth	27.00	24.00	23.50	23.00

\*New applicable tax rate for 2015

### Withholding Taxes

New withholding tax rates have also been approved to reflect the adjustments in the new tax scales – taxpayers will see the decrease in their rates of tax in their July payroll onwards.

**KPMG Note**

Since this rate decrease came into force as of July 12, 2015, employers should already have undertaken steps to modify their internal systems and payroll processes to account for the new withholding taxes. The new scale of withholding taxes will apply to income paid as of July 12, 2015; but with the new reduced rates applying retrospectively to January 1, 2015, this means the actual resulting withholding rate on employment income will be even lower in order to regularize the “excessive” withholding taxes that were applied to pay-checks received before this reform during the first six months of 2015.

The two applicable scales of withholding taxes on employment income for 2015 are shown below.

**Withholding Taxes Applicable before July 12, 2015**

Taxable base	Tax due	Rest of the base	Applicable tax rate
Up to EUR	EUR	Up to EUR	Percentage
0.00	0.00	12,450.00	20.00
12,450.00	2,490.00	7,750.00	25.00
20,200.00	4,427.50	13,800.00	31.00
34,000.00	8,705.50	26,000.00	39.00
60,000.00	18,845.50	Henceforth	47.00

**Withholding Taxes Applicable after July 12, 2015**

Taxable base	Tax due	Rest of the base	Applicable tax rate
Up to EUR	EUR	Up to EUR	Percentage
0.00	0.00	12,450.00	19.50
12,450.00	2,427.75	7,750.00	24.50
20,200.00	4,326.50	13,800.00	30.50
34,000.00	8,535.50	26,000.00	38.00
60,000.00	18,415.50	Henceforth	46.00

**Other Income** – The withholding rate applicable to certain other income classified as employment income subject to a flat withholding rate (income deriving from conferences, seminars, etc.) has also been reduced from 19 percent to 15 percent.

**Directors Income** – The withholding rate applicable to Directors in 2015 remains at 35 percent, but the one applicable to Directors by companies with turnover of less than EUR 100,000 annually is reduced as of July 12 from 20 percent to 19.5 percent.

**Professional Activities Income** – In addition, withholding taxes applied to professional activities income have been reduced from 19 percent to 15 percent as of the promulgation of Royal Decree-Law 9/2015, and to 7 percent during the first three years of exercise of the activity.

Savings Income – As for savings income that is subject to withholding taxes, the rate to be applied has decreased from 20 percent to 19.5 percent as of July 12, 2015.

### ***Nonresident Income Tax Rates***

As a related issue, the general nonresident income tax rate applicable to residents of the European Union (EU) or a European Economic Area (EEA) member state with an effective exchange of tax information agreement in force, and the rates applicable to dividends, interests, and capital gains, have also been reduced from 20 percent to 19.5 percent as of July 12, 2015. (For prior coverage of changes to this regime, see [Flash International Executive Alert 2014-120](#), December 18, 2014.)

### **Modifications to Personal Income Tax Regulation**

Some noteworthy modifications have been introduced in the PITR, which we highlight below.

#### ***Employment Income – the 30-Percent Reduction***

- Income Generated over More than Two Years – As of January 1, 2015, income generated over a period of more than two years will enjoy a 30-percent reduction provided the taxpayer had not applied such reduction within the previous five years. The new PITR establishes that, for applying the reduction for withholding purposes, the payer of such income will take into account the income that it might have paid and to which it had already applied the reduction, unless the employee notified to the company that he had not applied such reduction in his annual PIT return.
- “Non-Regular” Income – The PITR contains a list of types of employment income that are specifically regarded as obtained on a non-regular basis, and which therefore could qualify for a 30-percent reduction. The PITL already established that in order for such a reduction to operate, the individual should be paid the income in a single tax year. The PITR now also incorporates in its wording such a requirement.
- Severance Payments – However, the 30-percent reduction could be applied to severance payments received as a consequence of the termination of a labor relationship, even if such severance payment is paid in more than one tax year, if when the result of dividing the number of years of accrual of the severance payment (i.e. number of years of seniority of the employee in the company) by the number of years in which it is to be received, exceeds two.

***Share Awards*** – The requirements to apply the exemption of EUR 12,000 to the award of shares to active employees have been modified and defined, as follows:

- (i) The award must be made under the same conditions to all of the employees of the company and it should contribute to the employees' participation in the company.
- (ii) In the case of a group or sub-group of companies, the requirement that the award must be offered to *all* employees under the same conditions, should be met within that company in which the employee to whom the shares have been granted renders his services.
- (iii) This latest requirement will not be breached when a certain seniority in the company is required or when the employee is required to be a taxpayer of the Personal Income Tax (i.e., Spanish tax resident).

**Personal Use of Vehicles** – New definitions have been issued with respect to the requirements around an employee's personal use of vehicles that are considered "energy-efficient," in which case he may be entitled to a reduction of 15 percent, 20 percent, or 30 percent in the calculation of the benefit-in-kind.

*Footnotes:*

1 Please see, *Real Decreto 633/2015, de 10 de julio, por el que se modifican el Reglamento del Impuesto sobre la Renta de las Personas Físicas, aprobado por el Real Decreto 439/2007, de 30 de marzo, y el Reglamento del Impuesto sobre la Renta de no Residentes, aprobado por el Real Decreto 1776/2004, de 30 de julio* at: <http://www.boe.es/boe/dias/2015/07/11/pdfs/BOE-A-2015-7770.pdf> .

2 Please see, *Real Decreto-ley 9/2015, de 10 de julio, de medidas urgentes para reducir la carga tributaria soportada por los contribuyentes del Impuesto sobre la Renta de las Personas Físicas y otras medidas de carácter económico* at: <http://www.boe.es/boe/dias/2015/07/11/pdfs/BOE-A-2015-7765.pdf> .

\* \* \* \*

The information contained in this newsletter was submitted by the KPMG International member firm in Spain. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

*Flash Alert* is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com> .