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Spain

Spain's "Impatriates" Tax Regime

The Spanish IRPF Law (personal income tax) contains a special tax regime applicable to foreign individuals who acquire Spanish tax residency as a result of their assignment to Spain (the "impatriates" or "Beckham" regime).

The option to apply this special regime permits the individual to be taxed as if he was nonresident, being therefore taxed in Spain only for his Spanish-source income except the salary income.

This special regime is subject to the fulfilment of the following conditions:

- (a) The individual must not have been a Spanish tax resident any time during the preceding 10 tax periods;
- (b) The individual must move to Spain due to:
 - (i) An employment contract; this circumstance is understood to be met:
 - when the individual starts an employment relationship (ordinary or especial) with a Spanish employer; or
 - when the transfer of the individual to Spain has been ordered by the foreign employer and a "Transfer Letter" exists with this regard.
 - (ii) Or because the individual has become director of an entity in whose capital he does not hold an interest or, otherwise, where the interest does not give rise to related entity status (25% or more of capital of the entity).
- (c) The individual does not obtain income which qualifies as being obtained by a permanent establishment located in Spain.

It is established that the tax debt will be determined according to the rules laid down in the revised non-resident income tax law, subject to a number of special rules:

- The exemptions established in the nonresident income tax legislation will not apply.
- All of the taxpayer's salary income (Spanish or *foreign-sourced*) will be deemed to be obtained in Spain.
- The income obtained during the calendar year will be taxed cumulatively, without being able to offset one item against another.
- The Spanish sourced dividends, interest and capital gains will be taxed separately from other income, according to the rates for savings income: 19%, 21% and 23%. On a transitional basis in 2015, however, the rates will be 20%, 22% and 24%. *Non Spanish savings income is not subject to Spanish taxation.*
- Ordinary income (i.e. salary) will be taxed according to the following progressive rates:

Net taxable income	2015 rate	2016 rate
Up to €600,000	24%	24%
€600,000,01 and above	47%	45%

Similarly, the individual who opts to apply the "impatriates" regime will also be taxed in the Spanish Net Wealth Tax as if he was a nonresident (i.e. only with regard to the Spanish-located assets).

This tax regime will be applied in the tax year in which the individual acquires the Spanish tax residence and during the following five years. To these effects, the tax year in which the individual acquires the Spanish tax residence is the one in which he stays more than 183 days in Spain during a natural business year.

Eduardo Martínez-Matosas, Partner
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