

PERSONAL INCOME TAX 2009

General Taxable base:

Tax Band	Initial Tax Quota	Remainder	Rate
€0.00	€0.00	To €17,707.20	24%
To €17,707.20	€4,249.73	To €15,300	28%
To €33,007.20	€8,533.73	To €20,400	37%
To €53,407.20	€16,081.73	onwards	43%

Special Taxable base:

	Rate
Savings income (interest, dividends, insurance, capital gains on assets)	18%

Exceptionally, interest received by the taxpayer from connected parties will be treated as general income

Income Tax reliefs:

Personal allowance	Tax
• 65 and under	€5,151
• 66 - 75	€6,069
• Over 75	€6,273
Child allowance*	€1,836 - €4,182
Ancestors allowance**	
- Over 65	€918
- Over 75	€1,122
Earned income allowance***	€2,652 - €4,080
Pension contributions**** - General	€10,000 (€12,500 >50 yrs)

*Dependant children aged under 25, or those with any disability regardless of age, living with the taxpayer and having taxable income under €8,000. If under 3 years of age, increased by €2,244.

**Dependant ancestors, or those with any disability regardless of age, living with the taxpayer and having taxable income under €8,000.

***Doubled in certain circumstances e.g. continuing work after reaching 65 years of age. Similar allowance for self-employed persons.

****Relief restricted to 30% of earned income.

Additional relief is given for working mothers, disabled people and single parents, purchase costs and mortgage repayments on the taxpayer's main residence. Married couples can also choose whether they want to be taxed individually or jointly.

INHERITANCE & GIFT TAX 2009

- Assessed on the recipient (heir or donee).
- Resident heirs/ donees, taxed on everything received, wherever it is located.
- Non-resident heirs/ donees, taxed only on assets situated in Spain or rights enforceable in Spain.
- Where either the deceased / donor or heir / donee is a non-resident, the State tax rates and allowances are applicable.
- Where a resident has lived in a given Autonomous Community for at least 5 years prior to the date of death, the tax rates and allowances of that Autonomous Community are applicable; gifts of real estate by a resident are subject to the rules of the Autonomous Community where the property is situated.

Tax Band	Initial Tax Quota	Remainder	Rate
€0.00	€0.00	€7,993.46	7.65%
€7,993.46	€611.49	€7,993.45	8.50%
€15,980.91	€1,290.43	€7,993.45	9.35%
€23,968.36	€2,037.26	€7,993.45	10.20%
€31,955.81	€2,851.98	€7,993.45	11.05%
€39,943.26	€3,734.59	€7,993.45	11.90%
€47,930.72	€4,685.10	€7,993.45	12.75%
€55,918.17	€5,703.50	€7,993.45	13.60%
€63,905.62	€6,789.79	€7,993.45	14.45%
€71,893.07	€7,943.98	€7,993.45	15.30%
€79,880.52	€9,166.06	€39,877.15	16.15%
€23,968.36	€15,606.22	€39,877.15	18.70%
€31,955.81	€23,063.25	€79,754.30	21.25%
€39,943.26	€39,943.26	€159,388.41	25.50%
€47,930.72	€80,655.08	€398,777.54	29.75%
Over 797,555.08	€199,291.40	...>	34.00%

Inheritance Tax Allowances

Relationship*	Allowance
Group I) Children under 21	€15,956.87**
Group II) Children over 21, spouse and ancestors	€15,956.87
Group III) Brothers, nephews, uncles etc.	€7,993.46
Group IV) Other family members and all third parties	Nil

* This allowances applies to residents and non-residents

** Allowance increased by €3,990.72 for each year the beneficiary is aged less than 21, up to a maximum allowance of €47,858.59.

- Beneficiary of life insurance: 100% with a limit of €9,195.49, for the spouse, children (natural or adopted) or parents.
- Family business: 95% of the value of the business provided that it is not sold within the ten years following death.
- Main private residence (dwelling): 95% with a limit of €122,606.47 provided that it is not sold within the ten years following death.
- Regional Spanish authorities (Autonomous Communities) are entitled to change these allowances and limits for residents within their Community. Some reductions are not applicable to non-residents.

Gift Tax Allowances

There are no allowances for Gift Tax except for family business allowance or those specifically legislated by an individual Autonomous Community.

Adjustment coefficients for Inheritance tax liability:

Pre-existing Wealth €	Group I and II	Group III	Group IV
€0 - €402,678.11	1.0000	1.5882	2.0000
€402,678.11 - €2,007,380.43	1.0500	1.6676	2.1000
€2,007,380.43 - €4,020,770.98	1.1000	1.7471	2.2000
Over €4,020,770.98	1.2000	1.9059	2.4000

These coefficients apply to both residents and non-residents.

SOCIAL SECURITY 2009

General Contribution Rates for employers/ employees*

Type of contingency	Employee	Employer
General contingency	4.70%	23.60%
Accident		Between 0.9% & 7.75% depending on the activity.
Unemployment		
Permanent contract	1.55%	5.50%
Temporary contract		
Full time	1.60%	6.70%
Part time	1.60%	7.70%
Salary guarantee funds	-	0.20%
Professional training	0.10%	0.60%

* These rates are applied to the amount of salary up to a limit (in general the figure is €37,994 p.a.)

Salary in excess is not liable.

Self-employed individuals also have a Social Security obligation, subject to different rules (please contact for details).

CORPORATE INCOME TAX 2009

Corporation Tax Rates

Type of Company	Tax Band	Tax Rate
Standard	All	30%
Small companies*	Up to €120,202.41	25%
	From €120,202.41	30%

* A small company is one with turnover of less than €8,000,000 in the previous 12 months.

Allowances / Reliefs

- Inflation allowance on the sale of fixed assets (real estate only).
- Exemption of dividends from subsidiaries and capital gains on disposal of shares (providing shareholding exceeds 5% and other requirements).
- Losses can be carried forward 15 years (for newly formed companies the 15 year period starts after the first profitable year).
- Companies dedicated to the rental of dwellings can obtain an 85% credit against taxable income, subject to having at least 10 properties available for rental (and other conditions).
- Tax deductions can be made for certain capital investments
- Capital gains on the sale of fixed assets are taxed at a reduced rate (normally 18%) if the proceeds are reinvested in new fixed assets within 3 years (subject to conditions).
- Small companies have specific tax deductions, mainly associated with accelerated depreciation.
- EU Directives concerning holding company / subsidiaries, mergers and acquisitions, etc are all incorporated in Spanish Corporation tax law.

VALUE ADDED TAX (VAT)*

Standard rate** 16% Reduced rates 4%/7%***

* VAT is charged on supplies of goods and services made in Spain by a taxable person or entity in the course of business.

** The standard rate applies to all taxable supplies unless they are specifically subject to the reduced rate.

*** The most significant areas of reduced rates are:

4% - basic foodstuff, newspapers, books, pharmaceuticals, socially protected dwellings.

7% - dwellings and up to 2 adjoining garages, construction of dwellings, certain foods, drinking water, farming materials (seeds, fertilisers, etc), plants, transportation, restaurants, hotels, funeral services, etc.

STAMP DUTY AND TRANSFER TAX 2009

Type of transaction	National Tax Rate	Andalucia Tax Rate*
Transfers of real estate	6%	7%
Transfers of cars, boats, etc.	4%	4%
Certain company operations	1%	1%
Stamp Duty	0.5%	1%

* Regional governments are entitled to apply a different rate in certain cases and most have opted to approve their own tax rates.

NON-RESIDENT INCOME TAX 2009

Type of income	Tax
Income obtained without permanent establishment	24%
Pensions	From 8% to 40%
Dividends, interest	18%
Income from reinsurance	1.5%
Income obtained by entities engaged in international shipping or aviation	4%
Seasonal foreign workers	2%
Royalties (subject to several requirements)	10%
Capital gains	18%
Withholding tax on selling of properties*	3%
Income obtained through a permanent establishment in Spain	30%
Special tax for foreign companies owning a property in Spain**	3%

* The purchaser of the property must withhold 3% of the purchase price and pay it to the Tax Office. The 3% is a payment on account of the final Capital Gains Tax liability of the seller.

** The tax base is the cadastral value of the property; if the property has no cadastral value the tax base is 50% of the purchase price of the property.

Individuals moving to Spain under an employment contract can opt to be taxed under the Non-Resident Income Tax regime rather than the Resident Income Tax regime, in the year of moving and the following five years (subject to certain conditions).

WEALTH TAX

Wealth tax has been abolished with effect from 1st January 2008.

Whilst every care and attention has been taken to ensure the accuracy of the contents of this publication, the information is intended for general guidance only and any reader should not act upon it without taking professional advice. Please contact us if you would like specific advice on any matter.