

TAX NEWS 2015

Again, in July 2015, Spain approved amendments to the different Tax Laws; Income Tax (IRPF), Non-Resident Income Tax (IRNR), VAT and Corporate Tax, which make up the tax reform for fiscal years 2015 and 2016. We summarize below its main implications.

Income Tax (IRPF)

Regarding Income Tax of individuals (resident in Spain), various modifications have been adopted that will generate a relevant reduction of the tax burden that falls on the taxpayers, increasing their disposable income. This reduction will be particularly significant for those receiving income from employment and economic activities, being this reduction intensified for lower-income taxpayers, or for those with higher family charges.

Within the set of measures, in the first place stands out for its quantitative importance, the new rate applicable to the general tax base, where both the number of tax brackets (from seven to five), as well as the marginal rates applicable, are reduced, consequently reducing the tax burden.

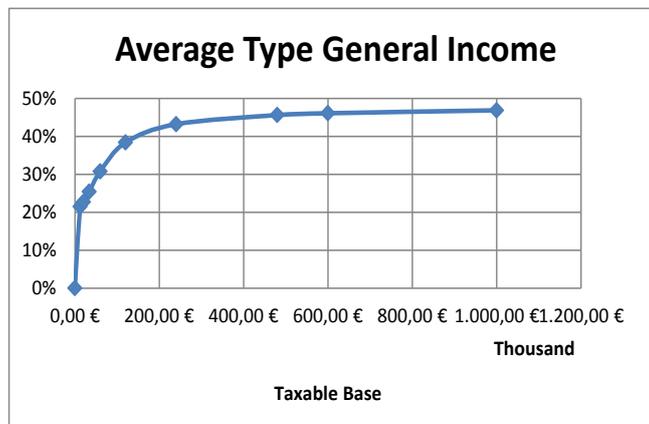
The combined effect of these measures will produce widespread tax cuts, cuts that will be more noticeable in the lowest incomes, raising the taxable threshold to 12,000 euros per year.

The following table summarizes the income tax withholding rates applicable to income from employment:

Taxable Income (€)	Rate up to June 2015	Rate from July 2015	Rate 2016
Up to 12,450	20%	19,50%	19%
12,450-20,200	25%	24,50%	24%
20,200-34,000 35,200 in 2016)	31%	30,50%	30%
34,000 / 35,200 – 60,000	39%	38%	37%
60,000 - forward	47%	46%	45%

The following table shows the average rates applicable in 2015 to the general income and the total tax payable according to the tax base.

Tax Base	Average Type	Full Quota
0,00 €	0%	0,00 €
12.450,00 €	21,50%	2.676,75 €
20.200,00 €	22,71%	4.586,60 €
34.000,00 €	25,39%	8.633,28 €
60.000,00 €	30,75%	18.451,06 €
120.000,00 €	38,38%	46.051,06 €
240.000,00 €	43,19%	103.651,06 €
480.000,00 €	45,59%	218.851,06 €
600.000,00 €	46,08%	276.451,06 €
1.000.000,00 €	46,85%	468.451,06 €
5.000.000,00 €	47,77%	2.388.451,06 €



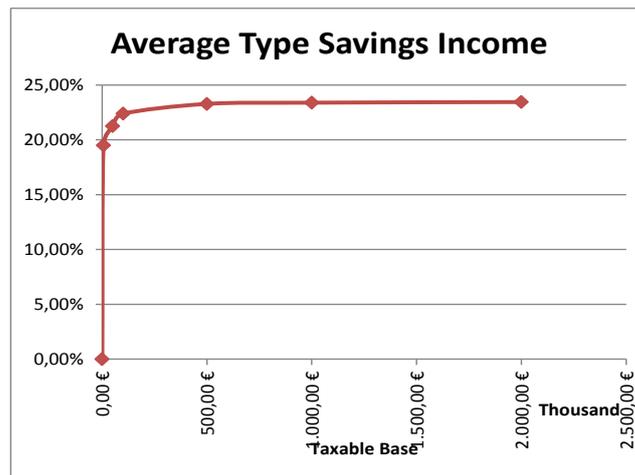
Capital Gains

With respect to capital gains, again for tax residents in Spain (including those derived from the sale of real estate), the tax brackets for 2015 and 2016 are also reduced:

Taxable income (€)	Rate from July 2015	Rate from 2016
Up to 6,000	19,50%	19%
6,000 – 24,000	21,50%	21%
24,000 – 50,000	21,50%	21%
50,000 – forward	23,5%	23%

The following table shows the average rates applicable in 2015 to savings income, as well as the full quota to be paid according to the savings base:

Tax Base	Average Type	Full Quota
0,00 €	0,00%	0,00 €
6.000,00 €	19,50%	1.170,00 €
50.000,00 €	21,26%	10.630,00 €
100.000,00 €	22,38%	22.380,00 €
500.000,00 €	23,28%	116.380,00 €
1.000.000,00 €	23,39%	233.880,00 €
2.000.000,00 €	23,44%	468.880,00 €



Also to note is the partial elimination of the reductive or amortization coefficients, and total elimination of the updating coefficients (indexation). This measure will mainly affect real estate transfers made after January 1, 2015, eliminating, on one hand, the conversion coefficients (that correct the currency depreciation and update the value of acquisition) on the transfer of real estate and, on the other hand, also partially eliminating the application of the amortization or reductive coefficients to those assets acquired before December 31, 1994 (and that are not subject to economic activities). Thus, only those assets acquired before 1995 and whose combined value does not exceed € 400,000, will enjoy a reduction. Once this limit is exceeded, for assets sold after January 1, 2015, no capital gain originated from the sale of any asset acquired before 1995 will enjoy any reduction.

Income tax of Non-Residents (IRNR)

In general, the standard rate of taxation (non-resident income tax) for non-residents goes down from 24.75% to 24% in 2015. However, the tax rate will be 19.5% (19% from 2016) in the case of residents who are taxpayers in EU Member States and EEA countries (currently Iceland, Liechtenstein and Norway).

Capital gains for non-residents (ie in the sale of real estate in Spain), regardless of the country of

residence, will have an overall rate of 20% if produced before July 12, 2015, 19.5% if after that date, and 19% from January 1, 2016.

Foreign workers posted to Spain (except professional sportsmen), will be taxed as non-residents at a rate of 24% for the first € 600,000 of income, and for five consecutive tax periods (so-called "Beckham Law"). From € 600,000, the applicable rate is 45%.

An interesting innovation for non-residents is included in the tax reform: the exclusion of tax liability in the sale of property in Spain, in case of reinvestment of the proceeds in another main residence in Spain. The capital gains obtained by a taxpayer residing in a Member State of the European Union in the sale of his main residence in Spain, may be excluded from taxation when the total amount obtained from the transfer of said property is reinvested in the acquisition of a new residence in Spain. When the amount reinvested is less than the total amount received in the sale, only the proportionate share of the capital gains obtained is excluded from taxation. However, the obligation to withhold 3% of the selling price is maintained.

Rate for IRNR	Rate up to June 2015	Rate from July 2015	Rate 2016
General rate	24%	24%	24%
Members of UE/EEE*	20%	19,50%	19%
Dividends and income from equity participation (art.25.1.f IRNR Act)	20%	19,5%	19%
Interest derived from the transfer of capital to third parties (art.25.1.f IRNR Act)	20%	19,5%	19%
Capital gains and losses from transfer of assets (art.25.1.f IRNR Act)	20%	19,5%	19%

* Income obtained without a permanent establishment in Spain

Corporate tax

The standard tax rate will be reduced from 30% to 28% in 2015, and to 25% in 2016. Newly formed companies will have a tax rate of 15% for the first year they obtain profits, and for the subsequent year. Those companies formed between 01.01.2013 and 31.12.2014 will have a reduced rate of 15% on the first € 300,000 of taxable income and 20% in excess of that amount, in the first year they obtain profits, and in the subsequent year.

As a summary, the following table shows the tax rates for the most common types of companies:

Taxpayer	Rate June 2015	Rate July 2015	Rate 2016
General rate	28%	28%	25%
Newly created entities	Up to 300.000€ of taxable income: 15% Rest 20%	15%	15%

Wealth Tax

There is a minimum amount that is exempt from this tax, approved by each Autonomous Community, although in the case the Autonomous Community has not established it, said exempt amount will be a minimum of € 700,000.



**CRUZ-CONDE
& ASOCIADOS**

abogados | lawyers

Taxpayers whose tax, determined according to the rules governing the tax and once the corresponding deductions or bonuses have been applied, results that they have to pay, or when not being this the circumstance, the value of their assets or rights, determined in accordance with the rules governing the tax, proves to be higher than € 2,000,000, are obliged to present their tax return in Spain. Taxpayers are those individuals that have their main residence in Spanish Territory, by personal liability, and any other person that holds assets or rights located, or that have to be exercised or accomplished, in Spanish territory, by real liability.

The applicable rate depends on what is set forth by each Autonomous Community, being in Andalusia between 0.24% and 3.03% according to the tax base, and it is applied by tax brackets once the previously mentioned exempt amount of € 700,000 is deducted.

In principle, its suppression is scheduled with effect from 01.01.2016.

Self-employed

Concerning the self-employed individuals in Spain, and under the same perspective of increasing their disposable income, the retention rate is widely reduced to 15%, whatever the level of the income is, from the date on which the Royal Decree-Law 9/2015, of July 10, entered into force.

August 2015

CRUZ-CONDE & ASOCIADOS