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SPANISH SOCIAL SECURITY INCENTIVES FOR 2014

Preamble.

The Spanish social security system is difficult for foreigners to understand and is extremely expensive for employers. The good news is that the government has at last introduced some meaningful employment incentives in the 2014 social security system.

They really broke the mould with these incentives, well 50% broke anyway, as one of the new measures is straightforward and easy to understand. The other, however, is not. Both are nevertheless worthwhile.

One of the incentives helps the unofficially self employed to finally stick their heads above the parapet and join those who are in the system. The other will certainly encourage employers to take on new staff.

Both new incentives involve a significant reduction in the “cuota por contingencias comunes” which is the most significant component of social security contributions.

The “cuota por contingencias comunes” is the element of the social security payment that covers all the general purposes of the system including the provision of medical aid, pension, maternity, work accidents, temporary invalidity etc.

Self employed scheme.

The self-employed scheme is split into 2 sections, one for the over thirties and the other for the under thirties.

Reduction for new self-employed (autónomos) over 30 years of age

The new self-employed scheme (autónomos) for people over the age of thirty and who have not been self-employed for the previous 5 years, provides the following reductions to the cuota por contingencias comunes for a period of up to 18 months:

- 80% reduction over the first 6 months.
- 50% reduction over the next 6 months.
- 30% reduction over the final 6 months.

These reductions will not apply to the self-employed who also have employees.

In 2014, the typical self employed payment for Social Security is 260,95 €. Applying these reductions, where the self-employed worker meets the requirements, the total payment would be:

Period	Reduction (%)	Reduction (€)	Total Payment
First 6 months	80%	208,76 €	<u>52,19 €</u>
Next 6 months	50%	130,47 €	<u>130,48 €</u>
Final 6 months	30%	78,28 €	<u>182,67 €</u>

The total saving is 2,505.06€ in the first 18 months.

Reduction for newly self-employed (autónomos) under 30 years of age.

For those under the age of thirty who have not been self-employed for the previous 5 years, the following reductions apply to the cuota por contingencias comunes for up to 30 months:

- 80% reduction over the first 6 months.
- 50% reduction over the next 6 months.
- 30% reduction over the next 3 months.
- 30% reduction over the final 15 months.

These reductions, again, will not apply for those self-employed workers who hire other employees.

Applying these reductions, the total payment would be:

Period	Reduction (%)	Reduction (€)	Total Payment
First 6 months	80%	208,76 €	<u>52,19 €</u>
Next 6 months	50%	130,47 €	<u>130,48 €</u>
Next 3 months	30%	130,47 €	<u>182,67 €</u>
Final 15 months	30%	78,28 €	<u>182,67 €</u>

The total saving is 3,444.42€ for the first 30 months.

Unusually, this system is very easy to understand. Congratulations to the people who were responsible for implementing this scheme.

Employers scheme—incentives for new indefinite contracts of employment.

This is the second scheme and is intended to encourage businesses to take on new permanent employees.

The incentives are available to all employers, regardless of size, that want to increase their workforce by offering full or part time long-term employment.

Social security contributions (contingencias comunes) for the first two years of employment will be reduced to a flat rate monthly amount. To qualify, the new indefinite contracts must be issued between 25th February 2014 and 31st December 2014 and be maintained for at least three years.

Companies with less than 10 employees will benefit during a further 12 months with a reduction of 50% of the contingencias comunes contributions.

In more detail, the following fixed amounts for contingencias comunes contributions will be fixed for the first 24 months of new employment contracts:

1. Full-Time work: 100€ per month
2. Part-Time work of at least 75% of full time day: 75€ per month
3. Part-Time work of at least 50% of full time day: 50€ per month

The tables below explain the monthly savings for full time employment contracts assuming a gross monthly salary of 1000€, 2000€ and 3000€ for the first 2 years.

Savings-during the first 2 years of the employment.

Gross salary	Normal contribution for contingencias comunes (23.60%)	New fixed contingencias comunes	MONTHLY SAVINGS
1.000,00 €	236,00 €	100,00 €	<u>136,00 €</u>
2.000,00 €	472,00 €	100,00 €	<u>372,00 €</u>
3.000,00 €	708,00 €	100,00 €	<u>608,00 €</u>

Year 3 for businesses that have less than 10 employees.

Gross salary	Normal contribution for contingencias comunes (23.60%)	New fixed contingencias comunes	MONTHLY SAVINGS
1.000,00 €	236,00 €	118,00 €	<u>118,00 €</u>
2.000,00 €	472,00 €	236,00 €	<u>236,00 €</u>
3.000,00 €	708,00 €	354,00 €	<u>354,00 €</u>

With total employment costs being reduced by almost 10% it is clear that these incentives will provide significant savings to the employer.

The conditions:

In order to qualify for the reductions in social security contributions, the following conditions must be satisfied:

- The Business must be up to date with all its tax and social security payments.
- The Business must not have been previously excluded from employment incentive programs.
- The Business must not have entered into a collective redundancy scheme or terminated employments that have subsequently been declared as unfair dismissal, during the 6 months prior to the new contract-dates. Redundancy schemes or dismissals prior to 25th February 2014 do not apply to this exception.
- By issuing these new contracts of employment, overall employment must be increased, based on the average number of workers in the 30 days prior to the new Contract, by at least one employee.

- The Business must maintain this new level of employment for three years from the date of contract. This includes indefinite contracts and temporary contracts. These figures will be analysed on an annual basis and will be calculated on the average employees of the month when the revision is carried out and the following will apply:

- a) If the level of employment is not maintained for the first 12 months: repay 100%
- b) If the level of employment is not maintained at 24 months: repay 50%
- c) If the level of employment is not maintained at 36 months: repay 33%

The exceptions:

The following types of employment contracts will not qualify for the incentives:

- Special labour relations as defined by Article 2 of the law of the Statute of Workers, which include, for example, domestic staff, senior management, professional sports persons, performing artists, commercial agents.
- Contracts for family members. However, if the family member is the son/daughter of a self-employed person, and that family member is younger than 30 years of age, or older but with special circumstances laid out in Law 20/2007 11th July, then the reductions will still apply.
- Contracts for employees who are included in a Special Social Security Regime, i.e. training or disability contracts.
- Contracts for employees who were formerly employed with an indefinite contract with the business in the six months prior to the new contract.

This article is intended to provide an overview and cannot cover all the possible conditions and exceptions that might apply. Professional advice is essential and should always be taken to ensure fulfilment of all the relevant conditions and to allow for all the circumstances of the business to be taken into account.