

TAX TABLES FOR SPAIN 2022

Introduction and Overview

In this guide, we provide information concerning the State tax system with an indication of the regional variations for Andalucía, Madrid, Cataluña, Balearics, Valencia and Murcia, these regions being the most relevant to foreigners in Spain.

The 17 Autonomous Communities (ACs) share in income tax revenues and they also have tax legislative powers. Inevitably, each AC has made changes to the State tax system that acts as a default if an AC has not introduced its own legislation. Significant regional variations in many taxes now exist in Spain.

Thankfully, in the main, the basic structure of the different taxes remains consistent throughout Spain and the ACs follow the default framework of each tax and just make changes to the tax rates, tax bands, allowances and deductions.

Regional tax differences can range from purely cosmetic, politically motivated 'tweaks', to being so significant as to cause doubt as to the legitimacy of the overall tax system, which constitutional law requires to be proportionate and fair throughout Spain.

Rulings of the Court of Justice of the European Union and Spain's own highest courts have forced the Spanish Government to make substantial changes to a wide range of tax laws, some being ruled completely illegal and discriminatory.

Apart from significant regional variations in inheritance tax and gift tax, wealth tax has provided considerable scope for politicians to impress voters with their left or right wing credentials. Right wing wealthy Madrid is fully exempt whereas some new ACs with left wing coalitions have actually reduced the exemptions and increased tax rates.

Wealth tax was exempted in 2008 and "provisionally" reintroduced in 2011 to provide more revenue and help the country cope with the last financial crisis, but it is now firmly back on the statute book. Generating only 1.2 billion € in revenue and only about 0,25% of the total revenue of the country, the revenue raised by wealth tax is derisory. It is crystal clear that its existence is motivated solely by political dogma and the significant success of Madrid in attracting wealthy residents underlines the totally negative effect of the tax.

TAX TABLES FOR SPAIN 2022

Spain is now in the hands of a minority Government led by the socialist PSOE party and the neo-communist Unidas Podemos party. This unstable arrangement is almost incapable of passing substantial legislation but, nevertheless, is likely to survive until the end of 2023 when this legislature comes to its natural end and national elections are held.

Despite all these political problems, Spain's economic growth rate since 2016 has been reasonable and the country has survived Covid reasonably well, although the population has been subjected to sometimes draconian lockdown measures.

As economies revive after the economic shock of the pandemic we will see whether Spain's lack of direction will hold back the country's economy. Indeed, perhaps, Spain will do well because it has an ineffective Government!

Thankfully, VAT, already the most convoluted and voluminous tax in Spain, has not been ceded to the ACs and so has no regional variations.

Given the delicate political environment of Spain, the usual health warning applies: Do not rely on what has been written here (or elsewhere) without first checking the latest news with us!

Personal Income and Capital Gains Taxes

Income is split into general income or investment income. General income includes business earnings, employment and state pensions, property rentals and any other income not explicitly included in investment income. Investment income includes loan and deposit interest, dividends, investment savings and retirement annuity schemes and all capital gains.

Tax rates for general income – Add together the state and the ACs tax rates (we show in this summary the most significant ACs tax tables):

TAX TABLES FOR SPAIN 2022

Andalucia tax rates for general income			STATE tax rates for general income			Balearics tax rates for general income		
From	To	Tax Rate	From	To	Tax Rate	From	To	Tax Rate
0,00	12,450.00	9.50%	0,00	12,450.00	9.50%	0,00	10,000.00	9.50%
12,450.00	20,200.00	12.00%	12,450.00	20,200.00	12.00%	10,000.00	18,000.00	11.75%
20,200.00	35,200.00	15.00%	20,200.00	35,200.00	15.00%	18,000.00	30,000.00	14.75%
35,200.00	60,000.00	18.50%	35,200.00	60,000.00	18.50%	30,000.00	48,000.00	17.75%
60,000.00	-	22.50%	60,000.00	300,000.00	22.50%	48,000.00	70,000.00	19.25%
			300,000.00	-	24.50%	70,000.00	90,000.00	22.00%
						90,000.00	120,000.00	23.00%
						120,000.00	175,000.00	24.00%
						175,000.00	-	25.00%

Valencia tax rates for general income			Madrid tax rates for general income		
From	To	Tax Rate	From	To	Tax Rate
0.00	12,450.00	10.00%	0.00	12,450.00	8.50%
12,450.00	17,000.00	11.00%	12,450.00	17,707.20	10.70%
17,000.00	30,000.00	13.90%	17,707.20	33,007.20	12.80%
30,000.00	50,000.00	18.00%	33,007.20	53,407.20	17.40%
50,000.00	65,000.00	23.50%	53,407.20	-	20.50%
65,000.00	80,000.00	24.50%			
80,000.00	120,000.00	25.00%			
120,000.00	140,000.00	25.50%			
140,000.00	175,000.00	27.50%			
175,000.00	-	29.50%			

Murcia tax rates for general income			Cataluña tax rates for general income		
From	To	Tax Rate	From	To	Tax Rate
0.00	12,450.00	9.60%	0,00	12,450.00	10.50%
12,450.00	20,200.00	11.46%	12,450.00	17,707.20	12.00%
20,200.00	34,000.00	13.74%	17,707.20	21,000.00	14.00%
34,000.00	60,000.00	18.22%	21,000.00	33,007.00	15.00%
60,000.00	-	22.70%	33,007.00	53,407.20	18.80%
			53,407.20	90,000.00	21.50%
			90,000.00	120,000.00	23.50%
			120,000.00	175,000.00	24.50%
			175,000.00	-	25.50%

TAX TABLES FOR SPAIN 2022

Tax rates for investment income – This table combines the State and ACs tax rates as no regional variations currently exist.

Combines state and ACs tax rates for investment income		
From	To	Tax Rate
0,00	6,000.00	19.00%
6,000.00	50,000.00	21.00%
50,000.00	200,000.00	23.00%
200,000.00	-	26.00%

Main income deductions and allowances (some minor AC variations exist)

Personal tax free income allowance	5,550 €
First child allowance	2,400 €
Second child allowance	2,700 €
Third child allowance	4,000 €
Fourth child allowance	4,500 €
Additional allowance for each child under three years old	2,800 €
Extra personal tax free income allowance > 65 years	1,150 €
Social security contributions	100% of amounts paid
General earnings deduction	2,000 €
Extra general earnings deduction where earnings below 16,825 €	A maximum of 5,565 €
Pension contributions deduction	The lower of 2,000 € and 30% of earned income
Acquisition of home/loan payments (capital and interest). Not available if property purchased after 1/1/2013	Tax credit of 15% of amount paid with maximum of 1.356 €

TAX TABLES FOR SPAIN 2022

Main income deductions and allowances (some minor AC variations exist)

Personal tax free income allowance	5,550 €
First child allowance	2,400 €
Second child allowance	2,700 €
Third child allowance	4,000 €
Fourth child allowance	4,500 €
Additional allowance for each child under three years old	2,800 €
Extra personal tax free income allowance > 65 years	1,150 €
Social security contributions	100% of amounts paid
General earnings deduction	2.000 €
Extra general earnings deduction where earnings below 16,825 €	A maximum of 5,565 €
Pension contributions deduction	The lower of 2,000 € and 30% of earned income
Acquisition of home/loan payments (capital and interest). Not available if property purchased after 1/1/2013	Tax credit of 15% of amount paid with maximum of 1.356 €

Non-Resident Taxation

Non-resident persons and companies are subject to taxation in Spain on business and other income derived from Spain, including any income or capital gains arising from Spanish investments, whether owned directly or indirectly. Persons or companies resident in countries with double tax treaties with Spain may have more favourable tax treatment.

TAX TABLES FOR SPAIN 2022

Type of Income received by non-resident	Tax Rate
Profits of foreign company Permanent Establishment	25%
Capital gains tax of foreign individuals and companies	19%
Loan interest and dividends	19%
Rent of properties by <u>EU residents</u> (individuals or companies)	19% of net rental income
Rent of properties by <u>non EU residents</u> (individuals or companies)	24% of gross rental income
Royalties	19% (EU tax residents) 24% (others)
Special Tax on tax haven entities owning real estate in Spain	3% of cadastral value of property
Deemed income tax when property not rented and cadastral value of property <u>not</u> revised in last 10 years	0,38% (EU tax residents) 0,48% (others) of cadastral value
Deemed income tax when property not rented and cadastral value revised in last 10 years	0,21% (EU tax residents) 0,27% (others) of cadastral value
Trading income for businesses without permanent establishment in Spain	19% (EU tax residents) 24% (others)
Income from employment in Spain whilst not resident	19% (EU tax residents) 24% (others)
Sport, professional and artistic activities	19% (EU tax residents) 24% (others)
Persons moving to Spain for work and electing for non-resident tax treatment (article 93). This attractive scheme allows persons to live in Spain without being fully part of the Spanish income and wealth tax system	24% on first 600,000€ income with the balance at 47%

TAX TABLES FOR SPAIN 2022

Corporation Tax

Companies and other collective entities with or without legal personality are subject to corporation tax. Charities and similar organizations are partially exempt. The taxable base starts with the accounting profit of the entity, calculated in accordance with Spanish accounting regulations. Adjustments may apply for various concepts including non justified costs, accounting/tax depreciation variations, losses in earlier years, investment and R&D credits.

This is essentially a State tax except for very few regional variations that exist in Navarra, Basque Country and the Canary Islands.

The Spanish corporation tax system provides tax credits and other incentives for various types of investments in R&D, science, reinvestment of capital gains, export activities, employee development, employment creation and social housing.

General corporation tax rate	25%
Newly created trading companies corporation tax rate applicable to 1st year taxable profit and the following year	15%
Tax rate reduction on a special reserve created, where a company allocates part of its profits to a special reserve locked up for 5 years	10%
SOCIMI (under certain rules)	NIL
SICAVS	1%
Pension Funds	NIL
Banks	30%
Petrol companies	30%

TAX TABLES FOR SPAIN 2022

Employment Costs and the Minimum Wage

Employer social security charges are based on employee income. The amount payable for SS contributions depends on the type of labour contract and trade sector but would be typically in the region of 28%-31% of gross salary, the employee paying a further 4.5%-7.5%. There is no minimum contribution level but the maximum employee and employer contribution is reached on a salary of approximately 48,850 € p.a.

The minimum annual wage in Spain is 13,510€, divided into 14 months of pay. Employers may, however, incorporate the extra pays into 12 calendar month salary payments. This minimum wage is roughly equivalent to 7,55€/hour, allowing for the typical annual number of hours of work.

The statutory minimum wage may be increased by the collective employment agreement that applies to each business sector. The collective agreements may improve the statutory rights of employees.

Value Added Tax (VAT)

The VAT rates that apply to the supply of goods and services are:

- General rate 21% - all supplies not subject to reduced rates.
- Reduced rate 10% - non basic foods, hostelry services, passenger transport, newly built dwellings.
- Super-reduced rate 4% - basic foods, certain pharmaceuticals, books and magazines.

Other business taxes. Impuesto sobre Actividades Economicas (IAE).

IAE is a municipal businesses tax based on arcane factors including business category, location, population of municipality and turnover. IAE is exempt for all self-employed businesses and incorporated businesses companies with an annual turnover of less than 1 million €. A rubbish collection tax will also be applied by the municipality depending on the nature, location and size of the business.

TAX TABLES FOR SPAIN 2022

Property Transfer Tax

The transfer of properties is subject to the Impuesto sobre transmisiones patrimoniales (ITP). This is exempted in the case of the sale of newly built dwellings or land licenced for construction, which is subject to IVA. This tax was one of the first taxes fully ceded to the ACs and the tax rates now vary considerably, typically between 4% and 11.5% of the transfer value of the asset. Lower rates can apply in the case of low cost housing.

Wealth Tax

This tax was initially brought back as an emergency economic measure in 2011 and is likely to remain for the foreseeable future. The tax has been fully ceded to the ACs, which has resulted in many variations. The State's version of the tax exempts the first 700,000€ of net wealth. The tax applies to residents and non-residents owning assets in Spain. Spanish tax residents receive an extra deduction of up to 300,000€ on the value of their home.

Autonomous Community Variations:

- **Andalucía** – has increased all tax rates, with a top rate of 2.50%.
- **Madrid** – has maintained a 100% exemption to this tax.
- **Balearics** –has increased all tax rates significantly with a top rate of 3.45%.
- **Cataluña** - has reduced the general exemption to 500,000€ and increased tax rates by small amounts, with a top rate of 2.75%.
- **Murcia** - has increased tax rates by small amounts, the top rate is 3.00%.
- **Valencia** has reduced the exemption to 500,000€ and increased all the state tax rates by approximately 25%

TAX TABLES FOR SPAIN 2022

State Wealth Tax Rates				
Tax Rate Band	Cumulative Wealth	Tax Rate %	Tax on Band	Cumulative Tax
700.000,00	700.000,00	0,00%	0	0
167.129,45	867.129,45	0,20%	334,26	334,26
167.123,43	1.034.252,88	0,30%	835,63	1.169,89
334.246,87	1.368.499,75	0,50%	2.506,86	3.676,75
668.499,76	2.036.999,51	0,90%	8.523,36	12.200,11
1.336.999,50	3.373.999,01	1,30%	25.904,35	38.104,46
2.673.999,02	6.047.998,03	1,70%	71.362,33	109.466,79
5.347.998,03	11.395.996,06	2,10%	183.670,29	293.137,08
Thereafter		3,50%		

Inheritance Tax and Gift Tax

This tax is imposed on the beneficiaries, not the estate, of the deceased.

No capital gain arises on an inheritance but in the case of a gift, the donor also pays tax on any capital gain based on the asset transfer being at market value.

This tax is fully ceded to the ACs and is now subject to very considerable regional variations. One example of this is that the tax is virtually exempt in the case of immediate family inheritances in Madrid and, from 2019, in Andalucía. In the case of other ACs substantial reductions apply, but some ACs have increased tax rates and the highest rate is now 36.5%.

The tax is calculated taking into account three factors: a) The net value of the inheritance, b) the beneficiary's familial relationship with the testator/donor and c) the pre-existing wealth of the beneficiary; b) and c) combine to produce a multiple which is applied to the tax rates in a).

The worst case rate is now a punitive 87.6% for an inheritance of over 797,555.08€ from an unrelated person where the beneficiary has existing wealth that exceeds 4,020,771€.



**Spence
Clarke**
CHARTERED
ACCOUNTANTS

SPENCE CLARKE TAX & ACCOUNTANCY

TAX TABLES FOR SPAIN 2022

a) The tax rates			b) and			
Value Received (€)	Rate (%)	Cumulative Tax (€)	c) Consanguinity, beneficiary's pre-existing wealth and allowances.			
			Pre-Existing Wealth (€)	Tax rate multiple based on group as defined below		
				I & II	III	IV
7.993,46	7,65	611,50				
15.980,91	8,50	1.290,43				
23.968,36	9,35	2.037,26	0 to 402,678	1,00	1,5882	2,00
31.955,81	10,20	2.851,98	402,678 – 2,007,380	1,05	1,6676	2,10
39.943,26	11,05	3.734,59	2,007,380 - 4,020,771	1,10	1,7471	2,20
47.930,72	11,90	4.685,10	4,020,771 +	1,20	1,9059	2,40
55.918,17	12,75	5.703,50				
63.905,62	13,60	6.789,79				
71.893,07	14,45	7.943,98				
79.880,52	15,30	9.166,06				
119.757,67	16,15	15.606,22				
159.634,83	18,70	23.063,25				
239.389,13	21,25	40.011,04				
398.777,54	25,50	80.655,08				
797.555,08	29,75	199.291,40				
Excess	34,00	-				

I: Descendants and adopted children under 21: Exempt 15.956,87 € plus 3.990,72 € per year under 21.

II: Descendants, including adopted, over 21, spouses, parents and adopting parents: Exempt 15.956,87 €

III: Relatives in second and third degree, i.e. brothers/sisters and nephews/uncles: Exempt 7.993,46 €

IV: Relatives in fourth degree, or without any relationship, for example, a friend: No allowances whatsoever.

Miembro de



Spence Clarke & Co., Chartered Accountants, Tax and Legal Consultants. Edificio Los Pinos L1, Calle Jacinto Benavente 32, 29601 Marbella, Málaga, Spain. URL: www.spenceclarke.com

Tel: (+34) 952 82 29 43 Email: website@spenceclarke.com

