



PERSONAL TAXATION IN SPAIN RATES AND ALLOWANCES

This is a series of notes about personal taxation in Spain covering

- Am I tax resident and do I need to submit a return
- Rates and Allowances
- Double Taxation
- Installing the PADRE system
- Completing and Submitting the Padre System
- Completing the Form 210 (for non-residents)

This note covers Personal taxation in Spain – Rates and Allowances.

The Spanish tax system of allowances is very different from the UK. The allowances were last increased in 2007. The government has indicated that there may be some changes next year (2015) just before the elections, on the basis that the economy is showing signs of recovery. The personal tax rates were increased temporarily in 2011 and have yet to be reduced back to the original levels.

Personal Allowances – All claimants

- | | | |
|----------------|---|--------|
| ➤ Under 65 | - | €5,151 |
| ➤ 65 – 75 | - | €6,069 |
| ➤ 75+ | - | €7,191 |
| ➤ Joint Return | - | €3,400 |

Earned Income Allowance (including pensions)

- | | | |
|----------------|---|---------------------------------|
| ➤ Up to €9,180 | - | € 4,080 |
| ➤ Over €13,260 | - | € 2,652 |
| ➤ In between | - | €9,180 (Earnings - 4,180)*0.35) |

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In addition to the personal and earned income allowances, there are additional allowances for children and parents who live with you. There are also additional allowances for people with disabilities

Children – Defined as Under 25 (or if disabled, any age) living with parents, and income less than €8,000

➤ First	-	€ 1,836
➤ Second	-	€ 2,040
➤ Third	-	€ 3,672
➤ Four or more	-	€ 4,182
➤ Extra for Child under 3	-	€ 2,244

Allowances for Parents – Defined as over 65, living with Children, and income less than €8,000

➤ Over 65	-	€ 918
➤ Over 75	-	€1,122

Allowances for Disability – allowances are based on levels of disability

➤ 33% - 65%	-	€2,316
➤ 66% - 100%	-	€7,038
➤ Third Party Care required (65%+)	-	€2,316

Tax Rates

The tax rates in Spain comprise two components, State Tax and Autonomous Community (AC) Tax. For the most part, it's of no real interest to most people. However, the AC's can and do vary their rate, so the rate on certain amounts can vary by a few percentage points. So for example in Andalucía the tax rate on taxable income over €120,000 is 53%, whilst in Valencia and Murcia its 50%, and in Madrid its 48.5%. The AC tax is used to partially fund the local ayuntamientos, based around the number of registered residents on the padron.

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In terms of the Tax Bands below, these are based on Valencia, but for all AC's are the same up to taxable income of €53,407. I will add all the regions when I have completed the series of notes.

Tax Rates

➤ Up to €17,707	-	24.75%
➤ €17,707 - €33,007	-	30.00%
➤ €33,007 - €53,407	-	40.00%
➤ €53,407 - €120,000	-	47.00%
➤ €120,000 - €175,000	-	50.00%
➤ €175,000 - €300,000	-	53.00%
➤ Over €300,000	-	54.00%
➤		

Return on Capital including Savings and Capital Gains

➤ Up to €6,000	-	21%
➤ €6,001 - €24,000	-	25%
➤ Over €24,000	-	27%

Tax Calculations.

Tax is calculated by deducting allowances (except the personal allowance) from total income. The remaining income is then taxed at the rate applicable to each band. So for example, if the net income after allowances is €2,000 then tax is calculated at the rate applicable up to €17,707. If net income after allowances is €20,000 then the first €17,707 is taxed at 24.75%, and the balance of €2,293 at the next rate band i.e. 30%.

This calculation provides the amount of tax payable before personal allowances. This is reduced by allowing a credit for the personal allowance due at the basic rate of 24.75%. This is so higher rate tax payers don't benefit disproportionately. The resulting tax is calculated as a percentage of taxable income. So in our example: if total income is €22,652, and taxable income before personal allowances is €20,000,

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total tax payable is €3,796 and the marginal tax rate is 18.98%, calculated as below.

Earnings	€22,652
Less earned income allowance	<u>€ 2,652</u>
Taxable Income	€20,000
Taxed @24.75%	€17,707
Taxed @30%	<u>€ 2,293</u>
Tax @24.75%	€ 4,382.48
Tax @30%	€ 687.90
Less personal Allowance €5,151@24.75%	<u>€ 1,274.87</u>
Tax Payable	€ 3,796
Marginal Rate	€3,796/€20,000
	18.98%

This latter rate is only important when you have a government pension, or other income which is only taxable in the country of receipt. This will be covered in the next note

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