

Spain Knowledgebase

Payroll, compensation and benefits

Salary structure

The basic salary is the fixed remuneration received by an employee for rendering services. It is fixed per unit of time or work, i.e., for the time actually worked, or for the specific work performed.

The basic salary makes up the bulk of a worker's monthly salary, which may be increased by salary supplements and other non-wage remuneration.

Minimum interprofessional wage (SMI) corresponds to the minimum remuneration that a worker must receive for the legal working day, regardless of the type of contract he/she has, and which includes both the base salary and the supplements. In other words, the basic salary can be less than the SMI. The Minimum Interprofessional Wage (SMI) is 1184 eur.

There are no mandatory allowances in Spain.

All the incomes that the employee perceive are taxable, the ones that are exempt are the benefits as the benefits in kind (meal, transport, kindergarten, until sort limit) , expenses (as work devices that should be covered by the employer or travel expenses that needs to be proved with the ticket), compensations (depends of each case).

The monetary benefits that an employee can have in Spain are the ones agreed in the contract, as car allowance, private insurance, etc

Total employment cost (TEC): Gross salary before deductions + Employer cost

Salary and wages

In Spain, the local currency is the Euro (EUR). Employment contracts must specify salaries in Euros; foreign currencies are not permitted.

Contributions are capped at €4,720.50, regardless of higher earnings.

Salaries are typically divided into 12 monthly payments, with options for additional 13th and 14th payments. While salary payments can be made in foreign currency, all official documentation must reflect Euros.

Most companies pay salaries between the 27th and 28th of each month, or until the end of the month.

Salary calculation specifics:

Annual gross salary / 12 = Monthly gross salary

Monthly gross salary / 30 = Daily gross salary

Social Security (SS) Contributions: (the top of contributions is 4720.50)

Contingencias comunes = SS base * 4.82%

Formación profesional = SS base * 0.10%

Desempleo = SS base * 1.55%

Taxation:

Taxable amounts * IRPF percentage.

Allowances and deductions

According to the collective agreement applied in Spain the only mandatory allowance is the Work From Home with a minimum of 17€.

There is no private pension system, if a person wants to have a pension can contract an insurance or a company that will provide this service, in Spain the employees can have a public pension after 30 years of contributions and can request it directly to the Social Security.

The employee has to provide tickets and proofs regarding the type of expenses.

Payroll declarations are made in arrears in Spain.

Bonus and incentives

Performance bonus is possible in Spain as agreed by the client. The amount is taxable.

And for other incentives, right now in Spain we pay expenses, private insurance for some employees, wifi allowance and car allowance.

Employer contributions

The contributions for the employers in Spain is about 30.48% of the employee salary, that are distributed in different concepts with different percentages, called:

Contingencias comunes (24.18% of the salary)

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Contingencias profesionales y conceptos de recaudación conjunta (that got the following concepts: AT y Ep (2.05%)

Desempleo (5.50%), Formación profesional (0.60%), Fondo Garantía Salarial (0.20%)

Cotización adicional horas extraordinarias (This will apply when the employee make extra hours, that is not considered in our collective agreement, the extra hours should be covered with time off)

Business expenses are paid in net to the employees with their salaries after they share with the company the tickets that justify the kind of the expenses.

Benefits packages

There are no mandatory health insurances in Spain, there is the public health system that everyone can go to if a person needs assistance or retirement benefits. The payment to social security includes a percentage for pension.

Other possible employee benefits right now are car allowance and phone allowance, that need to be agreed that will be paid to a specific employee, but there are no collective benefits.

Social Security: The amount of contributions, which cover pension plans, accidents and occupational diseases, will vary according to a number of factors, such as the duration of employment or the type of employment contract.

In Spain there is no unemployment insurance, but monthly in the contributions to the Social Security each employee pays a percentage called ""Desempleo"" that amount it is to cover the unemployed time that an employee could have since when certain application requirements are met.

Workers' compensation in Spain isn't mandatory on a national level, but may be a requirement of a relevant collective bargaining agreement Feb 28, 2024.

Disability Insurance: there is a concept included in the social security payment called "Contingencias Comunes" that covers a certain kind of disability.

Currency and payment considerations

Currency requirements

In Spain, salary payments must be made in Euros. While it is possible to pay in foreign currency, all official documentation, including payslips, must reflect the amount in Euros. This ensures compliance with local currency requirements.

Taxation and compliance

Employee and employer tax obligations

The employee taxes have to pay a percentage according with their incomes, this taxation is called ""Impuesto sobre la Renta de las Personas Físicas"" (IRPF)

If an employee starts in a company in the middle of the fiscal year, the employee should ask the percentage to apply into their payroll because the company doesn't know if the person was contracted before in a Spanish company, the employee can ask to the payroll team to calculate the percentage that he wants to apply or request a voluntary percentage.

In Spain there are Annual tax Declarations that is from March to June, in that period all residents in Spain like salaried employees with a single payer, they must declare if their income exceeds 22,000 euros per year and salaried employees with two or more payers: they must declare if their income exceeds 15,000 euros per year to the tax agency, after that period ends, everyone got until the end of the year to make any change to their declaration without any additional payments.

Payroll declarations and reporting

A dismissal should be paid on the same termination date or in the next 3 days after the termination date, if a voluntary termination will be paid at the end of the month with the salaries.

If the former employee and the company go to a SMAC (conciliation between the company and the employee after a termination) then we will have to pay a compensation that will be established by a judge.

There is no indemnity for the notice in Spain, if an employee does not comply with the notice period, it will be deducted from the severance payment.

Conditions for claiming severance pay: The dismissals that always give rise to severance pay are dismissal for objective causes and collective dismissal, in addition to the declaration of the dismissal as unfair.

Dismissal for objective causes: There is a right to severance pay. 20 days' salary is paid per year worked, with a maximum of 12 monthly payments.

Collective dismissal: Yes, there is a right to severance pay.

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Unfair dismissal: Yes, there is a right to compensation, but only if the employer has not opted for the worker's reinstatement. In addition, this dismissal must have been declared by a judge.

Fair dismissal: Compensation will depend on the specific case. There are no processing wages.

Deregistration Deadline is 3 days after the termination date to deregister the employee and make any change in the social security.