

## Spain Tax Knowledgebase

### Employee personal income tax

#### Tax residence

To determine whether a person is a tax resident in Spain, at least one of the following two conditions must be met:

- **Spending more than 183 days in Spain during a calendar year:** All days the person is in Spain are counted, including temporary absences (such as vacations), unless the person can prove they are a tax resident in another country. Temporary visits for unpaid cultural or humanitarian collaboration purposes are excluded from this calculation.
- **Having the centre of economic or vital interests in Spain:** This means the person has their main base of financial activities (work, business, profession) or vital interests (such as family) in Spain. Additionally, there's a rebuttable presumption: if the spouse (not legally separated) and/or dependent minor children habitually reside in Spain, it's presumed that the person is also a tax resident in the country unless proven otherwise.

#### Implications for income tax declaration

Tax residency determines how a person must declare and pay taxes in Spain:

##### **Residents:**

Must declare and pay taxes on their worldwide income (all income, both earned in Spain and abroad) through the Personal Income Tax (IRPF). This includes salaries, income from economic activities, capital income (interest, dividends), and capital gains.

##### **Non-residents:**

Only need to declare and pay taxes on income obtained in Spain (Spanish-source income) through the Non-Resident Income Tax (IRNR). This includes, for example, income from renting properties in Spain or gains from the sale of assets located in the country.

#### What happens if I am a resident in two countries?

In some cases, a person may be considered a tax resident in two countries simultaneously (for example, if they live part of the year in Spain and part in another country). To avoid paying taxes twice, Spain has Double Taxation Treaties (DTT) with many countries. These treaties help determine in which country taxes should be paid, based on factors such as:

- Permanent home.
- Centre of vital interests (family, work, economic activities).
- Habitual place of residence.

- Nationality.

## Conditions for the obligation to file the PIT

In general, an individual is required to file an Income Tax Return (IRPF) in Spain when certain conditions are met, such as:

**-Income above the established thresholds:** If annual income exceeds the limits set by the law, for example, 22,000 euros if there is only one payer, or 15.876 euros if there are multiple payers and the amount received from the second or subsequent payers is over 2,500 euros.

**-Earnings from work or economic activities:** If the taxpayer earns income from employment, business activities, rental income, etc., that exceeds the established limits.

**-Tax deductions:** If the taxpayer wants to apply deductions that may reduce the amount owed, such as deductions for children, disability, or pension plan contributions.

**-Return on assets:** If income is earned from assets such as interest on savings, dividends from stocks, rental income, or capital gains from the sale of assets. Also, capital gains and losses must be declared. If the gains exceed the thresholds or if there are capital losses that exceed the allowed limits for offsetting other income, the taxpayer is required to file the return.

In summary, the obligation to file an income tax return depends on the taxpayer's income and the specific conditions set by the law for each case.

Generally, we provide a link to the Negative Delimitation, which outlines who is not obligated to file a tax return.

[https://sede.agenciatributaria.gob.es/Sede/en\\_gb/ayuda/manuales-videos-folletos/manuales-practicos/irpf-2023/c01-campana-declaracion-renta/quienes-estan-obligados-presentar-declaracion-irpf/contribuyentes-no-obligados-declarar-cuadro-resumen.html](https://sede.agenciatributaria.gob.es/Sede/en_gb/ayuda/manuales-videos-folletos/manuales-practicos/irpf-2023/c01-campana-declaracion-renta/quienes-estan-obligados-presentar-declaracion-irpf/contribuyentes-no-obligados-declarar-cuadro-resumen.html)

## Tax report in question (Form name)

Impuesto de la Renta de las Persona Físicas ( IRPF )

## Tax year

The tax year in Spain follows the calendar year, from January 1 to December 31.

## Tax rates

The percentage of income paid to the State depends, first and foremost, on the type of income. Income from savings is taxed at a lower rate than income that isn't considered savings, known as general income.

This general income is taxed according to a progressive scale: the percentage of income paid through personal income tax (IRPF) increases as income rises. This system benefits individuals with lower incomes.

The brackets for the 2024 IRPF declaration are as follows\*:

- From 0 to 12,450 euros: 19% withholding. From 12,450 to 20,199 euros: 24% withholding.
- From 20,200 to 35,199 euros: 30% withholding.
- From 35,200 to 59,999 euros: 37% withholding.
- From 60,000 to 299,999 euros: 45% withholding.
- More than 300,000 euros: 47% withholding.

\*This table is an estimate combining the state and regional tax rates, using the rates applicable to non-resident taxpayers in Spain as a reference for the latter."

## Tax returns and payment of tax

Generally, in Spain, the tax return filing period for personal income tax (IRPF) typically runs from April 1st to June 30th each year. However, all taxpayers who wish to direct debit the payment of their IRPF with a balance due must submit the declaration before approximately the 26th of June.

Attention! If the income tax return isn't filed on time and correctly, the taxpayer will be penalised.

### **Payment**

If your tax return results in a refund (meaning the Spanish Tax Agency, AEAT, owes you money), the law states that the legal deadline for processing refunds cannot exceed 6 months from the end of the tax filing period. Since June 30 is the last day to file, it's understood that the refund shouldn't be delayed beyond December 31. If this maximum legal deadline is exceeded, the Tax Agency is required to compensate the taxpayer by paying interest.

On the other hand, if your tax return results in a payment (meaning you owe money), the payment must be made at the time of filing the return. However, the Tax Agency allows this payment to be split into two instalments: 60% is paid when filing the return (remember that the deadline is July 1), and the remaining 40% can be paid during the first 6 days of November."

## Personal deductions (salary)

### **Reduction for earning employment income**

The reduction increases to 7,302 euros per year for net employment income up to 14,852 euros. As income increases, the reduction decreases linearly, down to 2,364.34 euros for income between 17,673.52 and 19,747.5 euros.

### **Disability**

- 3,000 euros annually if the disability degree is 33% or higher.
- 9,000 euros annually if the disability degree is 65% or higher.
- 3,000 euros annually if you need third-party assistance or have reduced mobility.

In general, these deductions will apply as long as the required conditions are met.

### **Personal allowance**

- General: €5,550.
- Over 65 years old: €6,700.
- Over 75 years old: €8,100.

### **Disability**

If you have a disability, the allowance increases by €3,000. If the disability is 65% or more, it increases by €9,000.

If you require assistance, have reduced mobility, or have a disability of 65% or more, an additional €3,000 is added for assistance expenses."

## Additional tax reliefs (not mentioned above)

### **Family allowances**

Ascendants (parents, grandparents, etc.)

- €1,150 for each ascendant over 65 years old who lives with you and depends on you, if their income doesn't exceed €8,000 per year.
- If the ascendant is over 75 years old, the allowance is €2,550.

Descendants (children, grandchildren, etc.):

- €2,400 for the first child living with you with an income below €8,000 per year.
- €2,700 for the second child, €4,000 for the third, and €4,500 for subsequent children.
- If the child is under 3 years old, an additional €2,800 is added.

Allowance for family members with disabilities

- €3,000 for each family member with a disability.
- If the disability is 65% or more, the allowance is €9,000.

If the family member requires assistance, has reduced mobility, or a disability of 65% or more, an additional €3,000 is added for assistance expenses.

General rules: If two or more people can claim these deductions (e.g., both parents), they are divided equally.

If the family members have income exceeding €1,800 and file their own tax return, the deduction cannot be applied.

In cases of separation or divorce, the deduction for children is claimed by the parent with custody of the children. If custody is shared, the deduction is split between both parents.

These deductions are applied based on personal and family circumstances as of December 31 of the corresponding year.

Tax benefits can vary depending on the region where you are a resident. Here is a link to check the various deductions available in your region.

Below are some of the most common examples:

## **Deduction for renting a primary residence (Landlord)**

The income derived from renting a primary residence is usually taxed at 50% of the net income. However, this percentage can be further reduced depending on specific requirements, and in some cases, it can be taxed at only 40% or even 10%. It's necessary to meet certain criteria, such as the type of contract, the tenant's rent, and the property's use as a primary residence. The details can vary depending on the region.

## **Deduction for renting a primary residence for people under 35 years old**

Many regions offer this deduction, with varying requirements and amounts.

Example: In Madrid, the percentage is 30% of the amounts paid for renting the primary residence during the tax year. The limit is 1,237.20 euros, both for individual and joint taxation.

General requirements:

- The tenant must be under 35 years old.
- The income must be below the limits set by the corresponding region, which are subject to change annually.
- The property must be the primary residence for more than 183 days a year.

Maternity deduction

- Amount: Up to 1,200 euros for women with children under three years old.

In general, this deduction applies to working women, and since 2018, it has included daycare expenses, with an additional deduction of up to € 1,000. This deduction can also

be applied by unemployed women or those who worked at least 30 days with social security contributions before the child's birth.

## **Paternity deduction**

- Amount: Up to 1,200 euros per child.

This applies to fathers who are working and meet certain requirements.

## **Deduction for donations**

You can deduct 80% of the first € 250 (previously only € 150). Additionally, if you donate more, the deduction percentage increases from 35% to 40% and can reach up to 45% if you donate to the same entity for several consecutive years.

Generally, this applies to donations made to NGOs and other entities of general public interest. The deduction can be higher if the donations are continuous.

## **Deduction for purchasing electric vehicles**

General: up to 20% of the amounts paid, with a limit of up to 2,000 euros per vehicle purchased.

Generally, this applies to the purchase of electric or plug-in hybrid vehicles (with a minimum range of 30 km in electric mode) bought new for personal use.

*Please note that requirements and amounts may vary depending on the region where you reside.*

## How to submit the tax return

To submit to the Spanish Tax Agency, you'll need a reference number, PIN, electronic signature, or digital certificate. Access the Tax Agency's portal and find your draft return. Click on "Income Tax Campaign 202X," then select "Draft/Return (Renta WEB)" under "Available Services." Review or correct the draft and submit it through the Tax Agency's website.

## Employee taxation of income (int, div, royalties)

### Interest income: Tax rates

Interest is part of the taxable savings base and is taxed according to the following tax scale applicable from January 1, 2025:

## Explanation of the taxation system

- The first €6,000 is taxed at 19%.
- From €6,000 to €50,000, the tax rate is 21%.
- From €50,000 to €200,000, the tax rate is 23%.
- From €200,000 to €300,000, the tax rate is 27%.
- Above €300,000, the tax rate is 30% (previously 28%).

Taxpayers under the impatriates regime (Beckham Law) will also see their savings income affected by this new scheme.

## Dividend income: Tax rates

Dividends are part of the taxable savings base and are taxed according to the following tax scale applicable from January 1, 2025:

### Explanation of the taxation system

- The first €6,000 is taxed at 19%.
- From €6,000 to €50,000, the tax rate is 21%.
- From €50,000 to €200,000, the tax rate is 23%.
- From €200,000 to €300,000, the tax rate is 27%.
- Above €300,000, the tax rate is 30% (previously 28%).

Taxpayers under the impatriates regime (Beckham Law) will also see their savings income affected by this new scheme."

## Capital gains: Tax rates

"Interest

### **Residents in Spain**

Companies and individuals: 19% withholding tax.

Exemptions: No withholding tax applies if the interest is paid to qualifying financial institutions (e.g., banks).

### **Non-residents in Spain**

Without a PE: 19% withholding tax.

Exemptions and reductions: A lower rate may apply under a tax treaty.

Exempt if paid to an EU resident.

Exempt if paid to a resident of the European Economic Area (EEA), provided the recipient's country exchanges tax information with Spain.

In general terms, capital gains and losses are the profits or losses you make when you sell something (like a house, stocks, a car, or other assets) for a price different from what you

paid for it. If you sell it for more, you have a capital gain. If you sell it for less, you have a capital loss.

In Spain, these gains are part of what is known as the savings tax base and are subject to taxation. Starting in 2025, the following tax rates apply:

- to €6,000: 19%.
- From €6,000 to €50,000: 21%.
- From €50,000 to €200,000: 23%.
- From €200,000 to €300,000: 27%.
- Over €300,000: 30%.

### **Special cases and exceptions**

- Sale of your primary residence
- If you sell your home and use the money to buy another one, you don't pay taxes on the gain as long as you buy the new home within a maximum of two years.

### **Assets acquired before 1994**

If you sell something you bought before 1994, you may be able to apply a reduction in taxes, depending on how long you've owned the asset.

### **Individuals over 65 years old**

If you're over 65 and use the money from the sale to set up a life annuity (a guaranteed monthly income), you don't pay taxes on the gain, with a limit of €240,000.

### **Non-residents in Spain**

If you don't live in Spain and sell an asset here, you pay a 19% tax on the gain. If it's not a sale (for example, a lottery prize), you pay 24%.

### **Buyers of properties in Spain**

If you buy a property from a non-resident, you must withhold 3% of the price and submit it to the tax authorities as an advance payment of the seller's taxes.

## Royalty income: Tax rates

How are royalties declared in the income tax return?

Royalties are considered income from movable capital and must be declared in the income tax return (IRPF). Here's how it works:

Final settlement



# Native Teams

The tax authorities will calculate the total tax you owe on those royalties, applying the corresponding tax scale (ranging from 19% to 30%, depending on your taxable savings base). Then, they will subtract the withholding that has already been applied.

If the withholding is higher than the tax you owe, you will receive a refund for the difference.

If the withholding was lower, you will have to pay the difference.

## Withholding

### Withholding tax on interest: Rates

#### **Residents in Spain**

Companies and individuals: 19% withholding tax.

Exemptions: No withholding tax applies if the interest is paid to qualifying financial institutions (e.g., banks).

#### **Non-residents in Spain**

Without a PE: 19% withholding tax.

Exemptions and reductions

- A lower rate may apply under a tax treaty.
- Exempt if paid to an EU resident.
- Exempt if paid to a resident of the European Economic Area (EEA), provided the recipient's country exchanges tax information with Spain."

### Withholding tax on dividends: Rates

#### **Residents in Spain**

Companies and individuals: 19% withholding tax.

Exemptions

If the dividend qualifies for the participation exemption regime, it may be tax-exempt.

#### **Non-residents in Spain**

Without a permanent establishment (PE) in Spain: 19% withholding tax.

Exemptions and reductions

A lower rate may apply under a tax treaty (Double Taxation Agreement - DTA).

Dividends may be exempt under the EU Parent-Subsidiary Directive if conditions are met."

### Withholding tax on royalties: Rates

The withholding tax applied to royalties paid to companies resident in Spain can range from 0% to 24%, depending on whether the royalties are considered business income and other specific factors. The standard withholding tax rate is 19%, where applicable.

For resident individuals receiving royalties, the general withholding tax rate is 19%. However, this rate can be reduced to 15% for income derived from intellectual property (and in some cases, a further reduced rate of 7% may apply). For royalties related to image rights, a higher rate of 24% is applied.

Non-resident individuals and non-resident companies without a permanent establishment (PE) in Spain are typically subject to a 24% withholding tax on royalties. If the recipient is a resident of the EU or the EEA (and their country exchanges tax information with Spain), the rate is reduced to 19%. These rates may be further reduced under an applicable tax treaty or if the royalties qualify for an exemption under the EU Interest and Royalties Directive."

## Fees for technical services:

Payments for technical assistance are generally subject to the same withholding tax as royalties (see "Royalties" above). Fees for services paid between resident companies that qualify as business income are usually not subject to withholding tax. However, fees for professional services paid to resident individuals are typically subject to a 15% withholding tax (although a reduced 7% rate may apply in certain cases).

The withholding tax rate on service fees paid to non-residents for services related to business activities in Spain is typically 24% (19% if the recipient is an EU resident or a jurisdiction that exchanges tax information with Spain), unless a lower rate or exemption applies under a tax treaty.

## Employee tax - Special regimes to apply

### Impatriate Law (Inbound employee regulations)

The Beckham Law, also known as the expat tax regime, is a regulation designed to attract skilled professionals to Spain. Established in 2004, it allows individuals who move their tax residence to Spain to benefit from more favourable taxation. Even though they become tax residents by staying in Spain for more than 183 days, those who opt for this regime only pay taxes on the income earned within Spain, not their worldwide income.

Additionally, the tax rate is significantly lower: they pay only 24% on Spanish-sourced income, regardless of the amount. This is particularly advantageous for those with an annual income exceeding 60,000 euros. The regime can lead to substantial savings for both the company hiring a foreign employee and the employees themselves, as the tax burden is much lower compared to the standard income tax rate for residents.

## Expatriate Law (Working abroad rules)

Article 7P of the Spanish Personal Income Tax Law provides an exemption for income earned from work done abroad, as long as certain requirements are met. This exemption can cover up to € 60,100 per year, meaning that income generated outside of Spain will not be included in taxable income or subject to withholding tax, thereby reducing the worker's tax burden. To benefit from this exemption, specific conditions must be met, as outlined in the article.

## Double taxation agreements ( link website)

<https://sede.agenciatributaria.gob.es/Sede/normativa-criterios-interpretativos/fiscalidad-internacional/convenios-doble-imposicion-firmados-espana.html>