

Spanish Tax Alert

The Spanish “inbound expat” tax scheme

Gómez-Acebo & Pombo Tax Department

Description and requirements

The Spanish Personal Income Tax Act (IRPF Act) contains a special tax scheme applicable to foreign individuals who acquire Spanish tax residence as a result of their assignment to Spain (the “inbound expat” or “Beckham” scheme).

The option to apply for this special scheme allows individuals to be taxed as non-residents, i.e. in Spain only for Spanish-source income (salary income excepted).

This special scheme is subject to the fulfilment of the following conditions:

- a) The individual must not have been a Spanish tax resident any time during the preceding 10 tax years;
- b) The individual must move to Spain due to:
 - i. An employment contract; this requirement is understood to be met:
 - When the individual enters into an (ordinary or special) employment relationship with a Spanish employer; or
 - When the individual’s relocation to Spain has been instructed by the foreign employer and an “Assignment Letter” exists in this regard.

- ii. Or because the individual has become a director of an entity in which he or she does not hold an interest or, otherwise, where the interest does not give rise to related entity status (25% or more of capital of the entity).

- c) The individual does not earn income qualifying as received from a permanent establishment located in Spain.

The IRPF Act provides that the tax liability will be determined according to the rules laid down in the revised Non-Resident Income Tax Act, subject to a number of special rules:

- The exemptions set out in the non-resident income tax legislation will not apply.
- All of the taxpayer’s salary income (Spanish or **foreign** sourced) will be deemed to be earned in Spain.
- The income earned during the calendar year will be taxed cumulatively, without to the possibility of offsetting one item against another.
- The Spanish sourced dividends, interest and capital gains will be taxed separately from other income, according to the rates for savings income: 19%, 21% and 23%. On a transitional basis in 2015, however, the rates

will be 20%, 22% and 24%. **Non Spanish savings income is not subject to Spanish taxation.**

- Ordinary income (i.e. salary) will be taxed according to the following progressive rates:

Net taxable income	Rate 2015	Rate 2016
Up to € 600,000	24%	24%
€ 600,000,01 and above	47%	45%

In parallel, the individual who opts for the “inbound expat” scheme will be also taxed on private wealth as if he were a non-resident (i.e., only with regard to Spanish-located assets).

Duration of the tax scheme

This tax scheme will be applied in the tax year in which the individual acquires the Spanish tax residence (and over the following 5 years), acquisition of such residence being deemed where the individual stays more than 183 days in Spain within a calendar year.

For further information please visit our website at www.gomezacebo-pombo.com or send us an e-mail to: info@gomezacebo-pombo.com.

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