

Compatibilities:

TT	Compatible with	SD-Fee Fixed
TT	Incompatible with	CT, SD-Fee Variable, VAT, IGT ⁽¹¹⁾
CT	Compatible with	SD-Fee Fixed, VAT
CT	Incompatible with	TT, SD-Fee Variable, IGT
SD-Fee Variable	Compatible with	VAT, SD-Fee Fixed
SD-Fee Variable	Incompatible with	TT, CT, IGT
SD-Fee Fixed	Compatible with	TT, CT, VAT, IGT, SD-Fee Variable

⁽¹⁰⁾ See Real Estate Transactions Section

⁽¹¹⁾ Inheritance and Gift Tax

REAL ESTATE TRANSACTIONS⁽¹²⁾

Transaction	VAT	%	TT & SD	%
Buildings (Housing)				
a) buildings under construction.....	Taxable	16	SD-ND	1
B) Finished Buildings · First Transfer.....	Taxable	7	SD-ND	1
Except when used for more than 2 years by...	Tax Exempt:			
1) the developer	Waived	7	SD-ND	1 ⁽¹³⁾
2) lessee,tenant,room tenant and transfer to 3rd parties	Not Waived	–	TT	7
· Second and subsequent transfers	Tax Exempt:			
	Waived	7	SD-ND	1 ⁽¹³⁾
	Not Waived	–	TT	7
Exceptions:				
1) Taking the option to buy.....	Taxable	7	SD-ND	1
2) Building renovation.....	Taxable	7	SD-ND	1
3) Building demolition.....	Taxable	16	SD-ND	1
4) After solving the first handing over.....	Taxable	7	SD-ND	1
Land				
a) Building land.....	Taxable	16	SD-ND	1
Exception: Compensation Board	Tax Exempt:			
	Waived	16	SD-ND	1 ⁽¹³⁾
	Not Waived	–	TT	7
b) Green Belt.....	Tax Exempt:			
	Waived	16	SD-ND	1 ⁽¹³⁾
	Not Waived	–	TT	7
Values				
General.....	Tax Exempt:	–	Tax Exempt	–

Transaction	VAT	%	TT & SD	%
TRANSFERS				
Exceptions: 1) Personal Assers > 50% of the assets+taking control of the company 2) Shares or Capital Shares recieved through investments on personal assets transferred before 3 years				
	Tax Exempt	–	TT	7
	Tax Exempt	–	TT	7
Buildings				
a) General.....	Taxable	16	SD-ND	1
b) Houses (including garages).....	Tax Exempt	–	TT	Table
Exception:				
1) With Hotel Services.....	Taxable	7	SD-ND	1
2) With option to buy.....	Taxable	7	SD-ND	1
LEASING				
Land⁽¹⁴⁾				
⁽¹³⁾ In Andalusia, 2%. In Madrid, 1,5%. ⁽¹⁴⁾ With Exceptions.....				
	Tax Exempt	–	TT	Table

TRANSFER PRICING

The Spanish legislation for Transfer Pricing has undergone major changes recently, such as the burden of proof that was on the Tax Administration and now is on the taxpayer, specific documentation requirements, and a new penalty regime.

Documentation requirements

Documentation must be presented at the Tax Administration from the last date to file corporation tax.

Documentation will refer to the tax period in which transactions between related parties took place, but it can be used subsequently, with the necessary amendments.

Two types of documentation are distinguished:

- Documentation regarding the group to which the taxpayer belongs (Master File)
- Taxpayer specific documentation (Country Specific File)

Documentation will be simplified or not requested, although the valuation will be needed, for the following transactions:

- Between related parties of a group which transaction volume is under M€ (small-sized entities)
- Between entities of the same consolidated tax group
- Between members of a Joint venture
- Transactions carried out in takeover bids or initial public offerings

	Tax Administration	Penalty(*)
Complete Documentation	Without Value Adjustment	Exempt
	With Value adjustment	Exempt
Incomplete, inaccurate or false Documentation	Without Value adjustment	1,500€ per omitted data 1,500€ per group omitted data
	With Value Adjustment	15% of adjustment, with a minimum of: 3,000€ per omitted data 30,000€ per group omitted data

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INCOME TAX

Tax deductible Per Diem and Mileage allowances:

PER DIEM FOR MEALS (€/day)		Hotel (€/day)	Mileage (€/day)	
Spain	Overnight stay 53,34		Invoiced amount	Public Transp.
	Non overnight 26,67	Invoiced amount		0,19€/km Toll/Parking Invoiced amount
Abroad	Overnight stay 91,35			
	Non overnight 48,08			

Reductions:

a) Employment earnings⁽¹⁾:

NET EMPLOYMENT EARNINGS	REDUCTION
Up to 9,180€	4,080€ per year
From 9,180,01€ to 13,260€	4,080€-(Net Employment Earnings-9,180€) x 0,35
More than 13,260€ or other income different from the employment earnings > 6,500€ (excluding tax free earnings)	2,652€ per year

(1) Increased by 100% $\left\{ \begin{array}{l} \text{-Employees > 65 who continue to work} \\ \text{-Geographical mobility of unemployed taxpayers (2 years)} \end{array} \right.$

b) Disability: between 3,264€ and 7,242€

Individual and family minimum:

- a) Standard: 5,151€
- b) From 65 years: + 918€
- c) From 75 years of age: + 1,122€
- d) Dependents: between 1,836€ and 4,182€ plus 2,244€ for each child under 3
- e) Other dependants: 918€, 65 years old and over: 1,122€ 75 years old and over
- f) Disability, dependants (ascendants and descendants): between 2,316€ and 7,038€ plus 2,316€ for attendance

Scale of the General Net Taxable Base (state + regional):

Net taxable Base up to (€)	Gross Tax Payable	Reminder of tax base up to (€)	Applicable Rate (%)
0.00	0.00	17,707.20	24 %
17,707.20	4,249.73	15,300.00	28 %
33,007.20	8,533.73	20,400.00	37 %
53,407.20	16,081.73	and higher	43 %

Tax rate applicable to the especial component of the tax base (state + regional)⁽²⁾: For the first 6,000€: 19%, for the rest: 21%.

⁽²⁾Capital Gains and Losses generated by transferring Wealth Tax elements and

the performance of certain Personal Assets.

Deductions:

- Permanent Residence: 15 % of the amounts (up to 9,015€ per year) for the acquisition, refurbishing or home purchase saving accounts.
- Company saving account: 15 % of the amounts (up to 9,015€ per year).

Obligation to declare:

- Net employment earnings: starting from 22,000€, €/year of one sole payer.
- Capital Gains + Earnings: starting from 1,600€, €/year.
- Deduction for permanent residence, saving-account, International double taxation agreements, pension plans.

INCOME TAX FOR NON RESIDENTS

Tax Rates:

- > With Permanent Establishment: 30%
- > Without Permanent Establishment⁽³⁾:
 - Standard: 24%
 - Pensions and passive assets: between 8% and 40%
 - Capital Gains: 19%
 - Interest and Dividends: 19%

⁽³⁾With no Double Taxation Agreed

INHERITANCE & GIFT TAX (IGT)

Inheritance:

a) Reductions: Personal Reductions:

Group	Kinship with the donor or deceased	€
I ⁽⁴⁾	Descendants & adopted < 21 years For each year under 21 years Maximum Limit	15,956.87 3,990.72 47,858.59
II ⁽⁴⁾	Descendants & adopted ≥ 21 years Spouses, adopted, and dependants	15,956.87
III	Collateral family members in 2nd and 3rd degree of kinship. Ascendants and descendants by affinity	7,993.46
IV	Collateral family members in 4th degree of kinship and other non family heirs	—

⁽⁴⁾Madrid: 99% reduction; Catalonia and Andalusia: Reduction of variable amount depending on the Group, with conditions.

b) Additional Reduction⁽⁵⁾:

- Family Business⁽⁶⁾: 95% of the value
- Permanent Residence⁽⁷⁾: 95% of the value with a limit of 122,606.47€
- IGT paid over the last ten years

⁽⁵⁾The asset must be kept for 10 years. In Madrid, Catalonia and Andalusia: 5 yrs. Catalonia: two new reductions: (a) from +75 years of age: 275,000€; (b) additional reduction of 50% to excess of taxable income.

⁽⁶⁾Andalusia: 99%

⁽⁷⁾Madrid: limit 123,000€; Catalonia: Limit 500,000€; Andalusia: 99,99% if it is the permanent residence of the recipient.

Donations:

- a) Reductions ⁽⁸⁾:
 - Family Business of donors over 65 years, absolute permanent disability or disablement (95% of the value). The investment must be kept for 10 years and right to exemption from the Net Wealth Tax.

⁽⁸⁾Madrid: reduction of 99% to the taxpayer included in Groups I & II; Catalonia and Andalusia: amounts donated for the acquisition of a permanent residence by descendants (99% of value). Maximum Tax Base: Catalonia: 60,000€ < 32 years; Andalusia: 120,000€ < 35 years; Catalonia: 120,000€ disabled > = 65%; Andalusia: 180,000€ disabled > = 33%

Life Insurance:

- a) Reductions:
 - 100 % with a limit of 9,195.49€ for the recipient spouse, ascendant, descendant, adopting person or adopted. Madrid: 9,200€; Catalonia: 9,380€.

CORPORATION TAX

Tax Rates:

- Standard: 30 %
- Small-sized businesses (Turnover < M€)
 - First 120,202,41€: 25 %
 - Remaining Taxable Income: 30 %

Deductions to promote certain activities:

Main Deductions	%
Export Activities	3
Company Contributions to Pension Plans	2
Employment for disabled	6,000.00€ per person and year worked
Book Edition	2.5
Film Production	18
Professional Education	1/2
R + D	25.5/42.5
Technological Innovation	8.5
Investment on Cultural Interest	7.5
Environment Protection	2
Reinvestment of Additional profits	12

Tax Losses: compensated in the subsequent 15 years.

Non deductible expenses:

- a) Dividends paid.
- b) Corporation tax.
- c) Fines, penalties, and surcharges due to delays on tax payment.
- d) Donations.
- e) Provisions for internal pension allowances.
- f) Gambling losses.
- g) Expenses for services rendered with tax havens.

VALUE ADDED TAX (VAT)⁽⁹⁾

Tax Rates: Standard: 16% · Reduced: 7% · Super reduced: 4%

From July 1st, 2010, standard and reduced percentages will increase to 18% and 8% respectively.

Taxpayer of VAT:

Taxable Event	Origin	Destination	Taxpayer
Supply/ Acquisitions of goods within the EU	Trader	Trader	Trader in origin
		Non Established trader	Non Established Trader in Destination (with exceptions)
	Non Established Trader	Non Trader	Trader in origin
		Trader	Trader in Destination (with exceptions)
Services Supply	Trader	Non Established trader	Non Established trader in Destination (with exceptions)
		Non Trader	Trader in origin
	Non Established Trader	Trader	Non Established trader in Destination (with exceptions)
		Non Established Trader	Non Established trader in Origin
		Non Trader	Non Established trader in Destination (with exceptions)
		Non Trader	Non Established trader in Destination (with exceptions)

⁽⁹⁾ See Real Estate Transactions Section

TRANSFER TAX & STAMP DUTY (TT & SD)⁽¹⁰⁾

Tax Rates:

- Transfer Tax (TT)
 - Real Estate Assets: 7%
 - Financial and other Assets: 4%
 - Certain rights on Real Estate: 1%
- Corporate Transactions (CT): 1%
- Stamp Duty (SD) on legal documents
 - Variable:
 - Notarial Documents (ND) 1%
 - Merc. and admin. documents: Scale
 - Preventive Notes: 0.50%
 - Fixed: 0.15€ per sheet/ 0.30€ per stamp