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BECKHAM'S LAW: THE SPANISH IMPATRIATE REGIME

Do you want to live in Spain and still pay taxes as a non-resident? Accede to the Beckham Law

WHAT IS THE BECKHAM LAW?

It is a special tax regime applicable to individuals who move their tax residence to Spain for "labor" reasons. It is a tax regime that seeks to encourage the attraction of talent and human capital to Spain in order to boost the business fabric.

ADVANTAGES OF BEING TAXED UNDER THE BECKHAM LAW

This tax regime allows tax residents in Spain to be taxed **only** on income from Spanish sources. Foreign source income is not subject to taxation.

The tax rate for earned income is set at 24% up to €600,000 and 47% on the excess, rates much lower than those applicable to ordinary residents (45% from €60,000 and 47% from €300,000).

In addition, under this regime, the Wealth Tax (and now also the Solidarity Tax of the Great Fortunes) is restricted **only** to assets and rights located in Spain. Therefore, foreign wealth does not pay any tax in Spain.

WHO IS ELIGIBLE FOR THE BECKHAM LAW?

Workers, persons who travel to Spain to work as employees, either under the general regime, under the teleworking formula (requires that the work be done online, or with a letter of travel).

Administrators of Spanish companies, even in the cases in which they have a participation in the same equal or superior to 25%, except in the case of entities that have the condition of patrimonial.

Entrepreneurs (self-employed), who are going to carry out in Spain economic activities that have the qualification of "entrepreneurial" (it requires a favorable report of the competent organ).

Spouse of the displaced person and their children.

Highly qualified (self-employed) professionals who provide services to startups (in the sense of the Startups Act), or who carry out training, research, development and innovation activities.

TEMPORARY REQUIREMENTS

Only those who have not been tax residents in Spain in the last 5 years can access the Beckham Law.

The move to Spain can be made in the first year of application of the regime or in the previous year.

The regime applies in the year in which the tax residence is acquired and in the following 5 years, provided that the material requirements continue to be met.

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CLARIFICATIONS AND CONTROVERSIAL ASPECTS

From January 1, 2023, this regime will be more flexible and will allow its application to teleworkers, displaced workers, entrepreneurs and administrators with a shareholding relationship, among other profiles.

However, there is no transitional regime for those who, having moved to Spain in 2022 -without a place in the previous regime- could benefit from the new one. Nor is the possibility of transitioning from the previous regime to the current one resolved.

The Beckham Law is not compatible with the obtaining of income obtained through a permanent establishment, which generates uncertainties in some specific circumstances.

It is crucial to review whether it is convenient to opt for this regime when the taxes paid abroad are higher than those resulting in Spain or when the double taxation deduction cannot be fully taken advantage of.

HOW CAN WE APPLY THIS REGIME?

The application of this regime must be requested by the taxpayer himself within 6 months from the date of registration with the Spanish Social Security or documentation authorizing his contribution at source.

The Administration will confirm, in view of the application, the application of the regime once the requirements have been verified.

> *"We advise and help you to benefit from the advantages offered by the special tax regime of the Beckham Law."*

CAN I BE INSPECTED, EVEN IF THE REGIME HAS BEEN APPROVED BY THE TAX ADMINISTRATION?

Yes, the Tax Inspectorate can review the application of the regime and compliance with the requirements that give entitlement to it after its approval.

RECOMMENDATIONS

At UHY Fay & Co we have a team specialized in the Beckham Act, with extensive experience in the prior advice and in the processing of the application until its final approval.

We also have extensive experience in inspection processes on the matter.

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