



TAX MEASURES IN THE ACT OF STATE GENERAL BUDGETS
FOR THE YEAR 2014

Act 22/2013, of 23 December, on the State General Budgets for the Year 2014

On 26 December 2013, it was published in the State Official Gazette Act 22/2013, of 23 December, on the State General Budgets for the year 2014 which includes, among others, tax measures affecting the main taxes.

We shall discuss below the tax measures contained in such Act, separately for each tax affected.

Personal Income Tax ("PIT")

(i) Coefficient Updates of Acquisition Value of Property

During 2014, the coefficients updates to apply in the onerous transfer of real estate that are not used for economic activities for calculation of the purchase price thereof, are the following:

Year of acquisition	Coefficient
1994 and earlier	1.3299
1995	1.4050
1996	1.3569
1997	1.3299
1998	1.3041
1999	1.2807
2000	1.2560
2001	1.2314
2002	1.2072
2003	1.1836
2004	1.1604
2005	1.1376
2006	1.1152
2007	1.0934
2008	1.0720
2009	1.0510
2010	1.0406
2011	1.0303
2012	1.0201
2013	1.0100



If the acquisition occurred on 31 December 1994, the coefficient applied is 1.4050.

(ii) Reduction of Net Income of Economic Activities for Maintenance or Creation of Employment

Additional Provision 27 of Act 35/2006, of 28 November, on PIT is amended so that it is extended for the year 2014 the reduction of net income of economic activities for maintenance or creation of employment.

(iii) Complementary Tax to State Integral Contribution

It is extended for the year 2014 the application of the complementary tax to the state integral contribution, so that the tax rates applicable to the general net tax base of the PIT increase between 0.75% and 7%.

Thus, by way of example, in the Community of Madrid the scale of overall tax (national and regional) applicable on the general net tax base is as follows:

General Net Tax Base	Full Contribution	Remaining Net Tax Base	Applicable Rate
0	0	17,707.20	23.95%
17,707.20	4,240.87	15,300.00	29.30%
33,007.20	8,723.77	20,400.00	39.40%
53,407.20	16,761.37	66,593.00	46.50%
120,000.20	47,727.12	55,000.00	48.50%
175,000.20	74,402.12	125,000.00	50.50%
300,000.20	137,527.12	Hereafter	51.50%

Similarly, the scale applicable to the net tax base of savings during 2014 is as follows:

Net Tax Base of Savings. Up to Euros	Applicable Rate
0.00	21.00%
6,000.00	25.00%
24,000.00	27.00%

(iv) Expenses and Investments in Training Employees in Use of New Technologies

The benefits related to expenditure in training and adapting workers to new technologies are extended for the year 2014.



(v) Tax Compensation for Receipt of Certain Movable Capital Income

It is maintained the tax compensation for receipt of certain movable capital income with period of generation exceeding two years in 2013.

(vi) Withholding Percentages

As in the case of the complementary tax applicable to the state integral contribution of PIT, it is extended for 2014 the increase in the applicable withholding rates on income from work so that the scale applicable to the calculation of withholdings shall be as follows:

General Net Tax Base	Full Contribution	Remaining Net Tax Base	Applicable Rate
0	0	17,707.20	24.75%
17,707.20	4,382.53	15,300.00	30.00%
33,007.20	8,972.53	20,400.00	40.00%
53,407.20	17,132.53	66,593.00	47.00%
120,000.20	48,431.24	55,000.00	49.00%
175,000.20	75,381.24	125,000.00	51.00%
300,000.20	139,131.24	Hereafter	52.00%

Similarly, the increase of 35% to 42% is maintained in the percentage of applicable withholding tax on work income to be received by the status as directors and members of the Boards of Directors, of the meetings performing their duties and of other members of other representative bodies.

It is also maintained the percentage of 21% of withholdings and payments on account to be levied on the following income:

- Income allocated for assignment of image rights.
- Employment income derived from teaching courses, conferences, discussions, seminars, and the like.
- Income from economic activities.
- Income from movable capital.
- Capital gains derived from the transfer or redemption of shares and units of collective investment schemes.
- Capital gains derived from forest exploitation of neighbours in public forests.
- Awards to be delivered as a result of participation in games, contests, raffles or random combinations.
- Lease or sublease of urban real property.
- Returns from industrial and intellectual property, technical assistance, lease of goods, businesses and mines and subletting of such property.

Corporate Tax ("CT")

(i) Coefficients of Monetary Restatement

Coefficients of monetary restatement applicable to calculation of the income earned by transfer of items of fixed assets or property held for sale, depending on the year of acquisition of the assets, are established. They are the following:



	Coefficient
Before 1 January 1984	2.3130
In the year 1984	2.1003
In the year 1985	1.9397
In the year 1986	1.8261
In the year 1987	1.7396
In the year 1988	1.6619
In the year 1989	1.5894
In the year 1990	1.5272
In the year 1991	1.4750
In the year 1992	1.4423
In the year 1993	1.4235
In the year 1994	1.3978
In the year 1995	1.3418
In the year 1996	1.2780
In the year 1997	1.2495
In the year 1998	1.2333
In the year 1999	1.2247
In the year 2000	1.2186
In the year 2001	1.1934
In the year 2002	1.1790
In the year 2003	1.1591
In the year 2004	1.1480
In the year 2005	1.1328
In the year 2006	1,1105
In the year 2007	1.0867
In the year 2008	1.0530
In the year 2009	1.0303
In the year 2010	1.0181
In the year 2011	1.0181
In the year 2012	1.0080
In the year 2013	1.0000
In the year 2014	1.0000

(ii) Special Valuation Rules

A new paragraph is added to paragraph 1 of article 17 of the Revised Text of the Corporate Tax Act, approved by Legislative Royal Decree 4/2004, of 5 March ("**CTA**") for tax periods beginning on and after 1 January 2013, allowing to request from the tax authorities the deferral of payment of tax liabilities derived from the

integration in the taxable basis of the CT of the difference between the market value and the book value of the equity items owned by:

- an entity resident in the Spanish territory which moves its premises out of such territory, save that such equity items remain attached to a permanent establishment located in Spain;
- a permanent establishment located in the Spanish territory which is transferred abroad.

The condition for applying the deferral is that the equity items are transferred to a member State of the European Union. The deferral is implemented until the items are transferred to a third party and is subject to the rules of accrual of interest and creation of guarantees as provided in the General Taxation Act.

This deferral, with the same condition of transfer of items to a member State of the European Union, can also be requested in cases of corporate restructuring to which the special system of restructuring operations applies, and, in the case of transmissions by bodies not resident in Spanish territory, for permanent establishments located therein.

(iii) Payment in Instalments

The increased rates for calculation of payments in instalments are maintained for the year 2014, which are as follows:

Mode						
Contribution (art. 45.2. CTA)	Basis (art. 45.3 CTA)					
18%	T ¹ in previous year = < €6,010,121.04	T in previous year > €6,010,121.04				
		T < €10m	€10m = < T < €20m	€20m = < T < €60m	T >= €60m	
	5/7 of TR ²	5/7 of TR	15/20 of TR	17/20 of TR	19/20 of TR	
	17% ³	17% ³	21% ⁴	23%	26%	29%

¹ T is the turnover

² TR is the tax rate

⁴ For entities taxed at reduced rate of 25%

⁴ For entities taxed at general rate of 30%

In addition, 25% of the dividends and accrued income becoming exempted by application of the exemption to avoid international economic double taxation (article 21 of the CTA) should be integrated into the taxable basis on which the payment in instalments is calculated.

On the other hand, it is maintained the obligation to make a minimum payment of instalments of 12% of the positive outcome of the profit and loss account of the financial year in the 3rd, 9th or 11th months of each calendar year (less any partial payments in the own year) for taxpayers whose turnover is greater than or equal to 20 million Euros.

Those taxpayers whose income coincides in at least 85% with income to which the exemptions to avoid international economic double taxation (articles 21 and 22 of the CTA) are applied, should make a minimum payment of 6%.



(iv) Reduced Tax Rate for Maintenance or Creation of Employment

The reduced tax rate for maintenance or creation of employment is extended for tax periods beginning in 2014.

(v) Percentage of Withholding

By Royal Decree 1/2014, of 24 January, it has been extended for the year 2014 the rate of withholding of 21% on account of the CT. This extension should have been included in the Budget Act, but it was not made by mistake and this error has required to include the measure in the Royal Decree mentioned above.

Non-Resident Income Tax ("NRIT")

It is extended for the 2014 tax period the tax rate of 21% for interest, dividends and capital gains, and 24.75% for income taxed at the general rate, including those from leases and salary income.

Wealth Tax ("WT")

The application of WT without rebate is extended for the year 2014, and it is contemplated the application of rebate at 100% in the full contribution of the Tax for the year 2015.

Value Added Tax ("VAT")

- It is extended the application of exemption for provision of services by public law entities or private entities or establishments of social nature for activities of custody and care of children in general, regardless of their age.
- It is amended the special rule for the location of performance of services so that, if by applying the special rule it should be located in the Canary Islands, Ceuta and Melilla, but its effective use or operation is performed in the territory of application of the tax, then they will be subject to VAT.
- References are deleted to accrual in intra-community transactions, provided that such accrual occurred when the dispatch or transport of goods in the member State of origin was initiated. The current rule provides that the accrual occurs on the 15th day of the month following the commencement of the transport. If the invoice is issued before, then the accrual occurs on the day of issue of the invoice.
- Regarding the correction of charged tax contributions, it is established that it is a tax breach not to charge accrued contributions exceeding those reported if it is evidenced, by objective information, that the taxpayer was involved in fraud, or that he knew or should have known, using reasonable diligence to that effect, that he was doing a transaction that was part of a fraud.
- From 1 January 2014, any transactions made from permanent establishments located outside the territory of application of VAT shall not be computed either in the numerator or in the denominator of the calculation of the general pro rata amount.



- From 31 October 2012, in administrative and judicial procedures for compulsory enforcement, the awardees having the status of entrepreneur or professional for VAT purposes are authorized, on behalf and on account of the taxpayer with respect to deliveries of goods and performance of services subject to such tax and rendered to such awardees, to issue an invoice, waive the right to exemptions in article 20.Dos of the VATA, charge the VAT contribution and file the relevant return-assessment, and pay the amount of the resulting VAT, except in cases of delivery of goods and provision of services in which the rule of reverse charge of taxpayer is applied.

Transfer Tax and Stamp Duty ("TT-SD")

From 1 January 2014, the tax scale applicable to rehabilitation and transfer, whether by inheritance or assignment, of titles of grandees and nobility titles, and recognition of use in Spain of foreign titles shall be as follows:

Scale	Direct transfers -- Euros	Transversal transfers - Euros	Rehabilitations and recognition of foreign titles -- Euros
1. For each title with grandee title	2,672	6,699	16,061
2. For each grandee without title	1,911	4,789	11,466
3. For each title without grandee title	761	1,911	4,597

Special Tax on Certain Means of Transport ("STMT")

From 1 January 2014, the means of transport registered in another member State and which are rented from a supplier in another member State by persons or entities resident in Spain for a period not exceeding three months are exempt from STMT.

Local Taxes

- The coefficient updates of property tax values for the year 2014 are established as follows:

Year of effectiveness of local official values	Coefficient Update
1984, 1985, 1986 and 1987	1.13
1988	1.12
1989	1.11
1990, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001 and 2002	1.1
2003	1.06
2006	0.85
2007	0.8
2008	0.73



- Exceptional measures taken in relation to those affected by the Lorca earthquake occurred on 11 March 2011, as applicable to that municipality:
 - During 2014, it is granted a rebate of 50% in the contributions of the Property Tax affecting houses, industrial and commercial establishments, workplaces and the like, of urban nature, which had been damaged as a consequence of the earthquakes.
 - During 2014, it is granted a rebate of 50% in the contributions of the Tax on Increase of Value of Urban Land for transfers of real property affected by the earthquakes.

State Rates

State rates are updated to 1.01%, except those specifically created or updated in 2013.