

THE SPANISH TAX REFORM WILL PASS THE REVALIDATION IN EUROPE

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< img class="aligncenter size-full wp-image-7760" alt="New Personal Income Tax Tranches in Spain" src="https://naider.com/wp-content/uploads/2014/07/Nuevos-Tramos-IRPF- in-Spain.png" width="560" height="260" />

The Spanish tax reform, already approved by the Government, for its European revalidation this week. The reform has already sparked criticism in the European Commission, as it is considered to jeopardize the deficit reduction targets set by Spain. The reform reflects that the Spanish authorities have ignored the recommendations of the commission in relation to the reduction of social contributions and the increase in VAT and environmental taxes.

Luís de Guindos is expected to present the reform at a session of the [Eurogroup](#) to be It will focus on the discussion of the reduction of taxes on work to promote job creation and how to compensate for the loss of income.

The most curious thing of all is that no conclusions are expected from this session, but the ministers will share their experience and political difficulties. The really key date is September 12, where a series of common principles will be approved to be applied in future tax reforms. Things grind slowly.

In addition, most of the issues raised by Montoro do not affect the taxes paid in the Basque foral haciendas, with which of course it does not seem to have spoken much to agree on joint measures. Basque taxpayers are only affected by those related to Social Security. One more piece of this complicated puzzle.

Tax Reform:

Changes in personal income tax

- Reduction of sections and tax rates.
- Reduced income from work.
- Increase in personal minimums.
- Improvement of benefits for children and ascendants.
- Expansion of the negative tax for large families.
- New tax for compensation for unfair dismissal.
- Maintenance of the home purchase deduction for those who will buy before 2013.
- Reduction of withholdings for professionals and freelancers.
- Limitation of the regime of modules.

Capital tax

- Lower rates but maintains three sections in the savings tax.
- Eliminates the general deduction of 1,500 euros for dividends.
- Suppression of the tax penalty for capital gains obtained in less than 12 months. They will be taxed as capital income.
- Creation of a savings account for current or insurance accounts that are maintained for more than five years. If the requirements are met, 5,000 euros per year can be deducted from capital income.
- Limit of the deduction of contributions to pension plans from 10,000 euros per year to 8,000 euros.
- Improves the tax treatment for taxpayers affected by dation in lieu and investors in preferred securities.

Corporate tax

- Reduction of the rate from 30% to 25% in two years.
- Maintenance of the rate at 30% so that the banks can maintain the deferred assets derived

from the losses of previous years.

- Capitalization reserve. Companies may deduct 10% of their profits if they allocate it to reserves.
- Creates a leveling reserve for SMEs.
- Simplifies and updates amortization tables.
- Limits the depreciation of fixed and variable income values.
- Restricts negative tax bases up to 60% although it eliminates the temporary restriction.

There are no comments yet.