

Special tax regime for individuals transferred to Spain. “Beckham Law”

Individuals who acquire their residence as a result of moving into Spanish territory may choose to pay taxes as non-residents, while maintaining their status as tax residents in Spain during the tax period in which the change of residence takes place and for the following five (5) years, provided that a number of conditions are met.

This means that individuals who, being entitled to do so, choose to take advantage of this special regime will be taxed at a “flat rate” of 24% on a payable base of up to 600,000 euros and at 45% from that figure. Individuals who meet the following conditions will be entitled to apply for this regime:

1. Those who have not been residents in Spain during the ten (10) tax periods prior to the one in which they move into Spanish territory.

2. Those whose transfer into Spanish territory is produced as a result of any of the following circumstances:

- An employment contract, except for the special employment relationship of professional sportsmen and women regulated by Royal Decree 1006/1985, of 26 June 1985.

The employment relationship may begin with an employment contract with a company in Spain or when the employee is transferred to a company established in Spain with a letter of assignment.

- Being appointed director of an entity in which the director does not hold an interest or, otherwise, when such holding does not qualify as a related entity under the terms established by Spanish legislation.

3. Those who do not obtain income that would qualify as obtained through a Permanent Establishment (PE) located in Spanish territory.

It is important to consider that the taxpayer who takes advantage of this Special Taxation Regime will be subject to Wealth Tax. The regional quotas vary in each of the Autonomous Community. In this sense, Madrid is very attractive, since this tax is 100% subsidized, therefore, no taxpayer pays for it.

The application of the regime must be analyzed on a case-by-case basis, since the convenience of its application will depend largely on the type of income received, the country of origin and the autonomous community into which the transfer takes place.

