Press release

Council of Ministers

General State Budget Bill for 2014 approved, initiating economic recovery

- The 2014 public accounts are following on the path to recovery and economic growth.

- Selective tax cuts will reduce taxes, especially for new businesses and the self-employed in the field of entrepreneurship to boost economic recovery. There are no tax increases planned for 2014.

- Civil servants will maintain their salary level without significant loss of purchasing power, as inflation is at minimum levels. Furthermore, they will maintain their bonuses.

- In this new scenario, certain items will begin to increase, such as grants, culture, and RD&I, which are up 21.5%, 17.1% and 1.3%, respectively.

- Fiscal consolidation carried out in 2012 by the General Government and economic agents has resulted in a reduction in the risk premium and a substantial improvement in stock market quotations.

27 September 2013.- The Council of Ministers has approved the referral of the 2014 State Budget Bill to Parliament, a set of austere accounts that continue the process of reducing the deficit and which now fall within the framework of moderate economic growth.

Last year's Budget was bound by the need to restructure the economy; now we are on the road to recovery. For yet another year, the 2014 State Budget will help promote and fulfil the fiscal consolidation commitments that Spain has agreed to with Europe, without planning tax increases for the next year. Instead, there will be selective tax decreases.

Specifically, for 2014, the budgetary stability target for the General Government deficit overall is set at 5.8% of GDP, so that the Central Government stands at 3.7% of GDP, with a deficit of 1% for Autonomous Communities and 1.1% for Social Security, while Local Governments will report balanced budgets.

For the first time in recent years, the macroeconomic scenario forecasts a GDP growth of 0.7% based on an improvement in private consumption and investment, while maintaining the boom in external demand which will contribute 1.2% growth. This improvement has been a result of budgetary policy conducted over the last two years.

As a result of this, the unemployment rate will come down five tenths, going from the figure of 26.6%, forecast for the end of this year, to 25.9% in 2014.

In 2014 the non-financial spending limit will be at €133,259 million, in line with the major effort of recent years to contain public spending

Fiscal consolidation in 2012 and 2013, reflected in a lower risk premium, will bring savings of €2,000 million from interest payments on the debt to leave this item at €36,590 million, representing a decrease of 5.2%.

Revenues

Total non-financial revenues for 2014 after the transfer to territorial bodies will reach €128,159 million, representing an increase of 0.9% compared to the 2013 Budget.

Tax revenues before the transfer to territorial bodies in 2014 will stand at €179,750 million, 1.1% up on the 2013 Budget. In tax figures, personal income tax collection will be reduced by 1.4% to €73,196 million in comparison to the 2013 Budget.

As for Corporation Tax collection, an increase of 17.4% is expected, going to €22,326 million. The VAT revenue will grow 0.4% reaching €54,849 million, while Excise Duty revenues will fall 3.1% to €20,453 million.

E-MAIL
secretaria.prensa@minhap.es

ALCALÁ, 9
28071 - MADRID
TEL: 91 595 80 71/2
FAX: 91 595 84 66

No tax increases

Effects of reforms already undertaken on tax collection ensure that there will be no tax increases for 2014. There will actually be tax cuts, which will reduce taxes especially for new businesses, SMEs and the self-employed.

Specifically for entrepreneurs, reduced rates will be established for new businesses and a special deduction for business angels. Also, a deduction of 10% on reinvested profits in small companies will be applied. In the case of VAT, the creation of a special savings system will postpone the payment of this tax until invoices are actually paid.

Spending

At the same time, the process of reducing the public sector will continue. Ministry spending overall will decrease by 4.7% next year to €34,584 million once contributions to Social Security, the Public Employment Service and the National Commission on Financial Markets and Competition are excluded.

The new economic growth scenario has allowed for the sums allocated to certain items such as research, education and culture to be raised. Specifically, spending on grants will be up 21.5%, culture, 17.1%, housing, 4.8% and research and development (RD&I), 1.3%.

Meanwhile, civil servants will maintain their salary level, but without significant loss of purchasing power as inflation is at minimum levels. They will have their bonuses guaranteed for 2014.