



GOBIERNO
DE ESPAÑA

MINISTERIO
DE HACIENDA
Y ADMINISTRACIONES PÚBLICAS

General State Budget 2012



STATE FISCAL ADJUSTMENT FOR 2012

	% GDP
Reduction of deficit	1.6
Budgetary commitments (interest payments, autonomous community funding, non-contributory social security benefits and State pensions)	0.9
Total reduction of deficit + expenditure commitments	2.5

	% GDP
Increased State revenue	0.8
Expenditure adjustment (excluding expenditure commitments)	1.7
TOTAL STATE ADJUSTMENT FOR 2012	2.5



The greatest
fiscal
consolidation
drive for 40
years:

€27,300M



FISCAL CONSOLIDATION

Budget: Deep-rooted cuts in ministries

Exceptional tax measures
to increase revenue

Combating tax fraud

STRUCTURAL REFORMS

The Stability Act

Reform of the labour market

Reform of the financial sector

Reform of the public sector

The government's economic policies will lay the foundation for recovery and create new jobs



OBJECTIVE: MEET DEFICIT REDUCTION TARGETS

Capacity (+) / Borrowing (-) (as a % of GDP)

	2011	2012	Reduction deficit
Central administration	-5.1	-3.5	-1.6
Autonomous Communities	-2.9	-1.5	-1.4
Local Corporations	-0.4	-0.3	-0.1
Social Security	-0.1	0.0	-0.1
TOTAL	-8.5	-5.3	-3.2



The key to the PGE 2012 fiscal measures: less expenditure, more revenue

- This is the most stringent budget for over 40 years, and sets a high fiscal consolidation target: to bring Spain's public deficit down to 3.2% of GDP.
- Reducing the Central Government's €17,800 million deficit in 2012.
- 16.9% cut in spending in ministries.
- Exceptional tax measures to increase revenue to €12,314 million (including the personal income tax increase introduced on 30 December).



GOBIERNO
DE ESPAÑA

MINISTERIO
DE HACIENDA
Y ADMINISTRACIONES PÚBLICAS

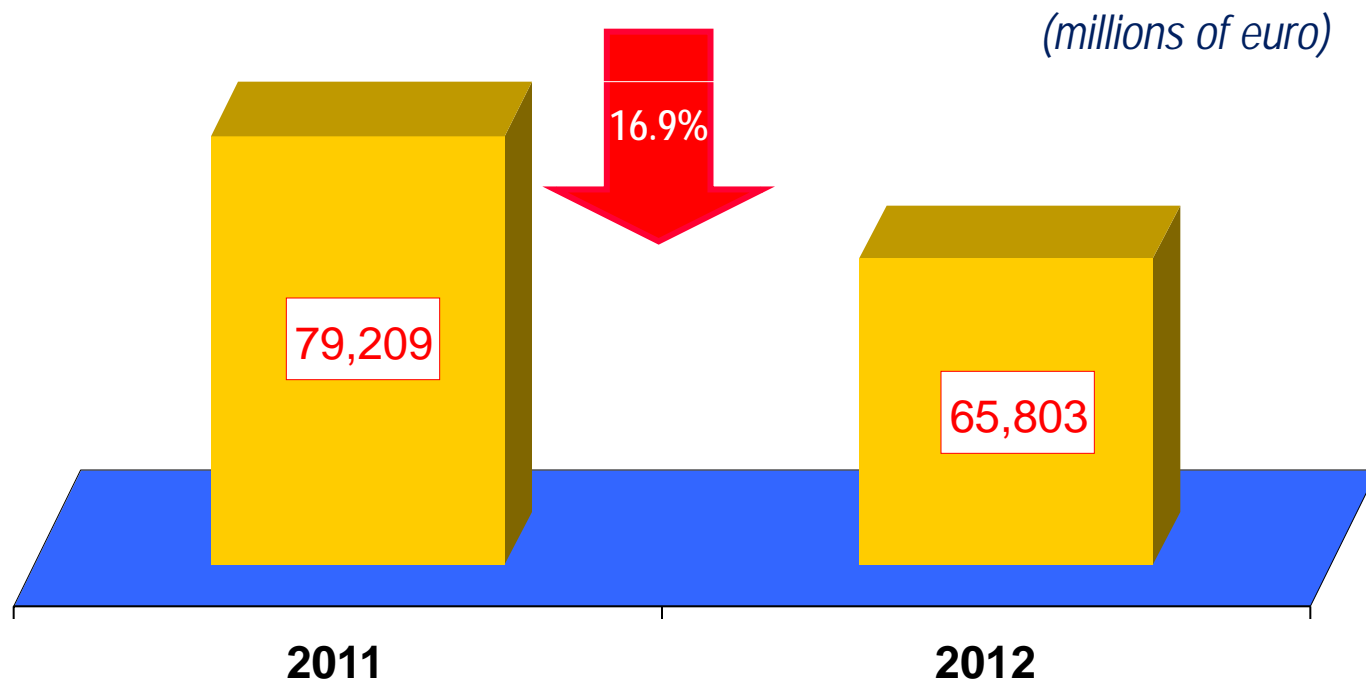
Expenditure Budget



AN EMERGENCY BUDGET TO ACHIEVE ECONOMIC RECOVERY

These strong fiscal adjustment measures will allow the government to maintain public sector salaries and basic benefits at current levels (pensions and unemployment benefits)

MINISTERIAL SPENDING WILL BE CUT BY 16.9%*



* Overall standard comparison discounting commitments made in preceding years and MEDE, including chapter 8

**STATE BUDGET FOR MINISTERIAL SECTORS**
Non-interest expenses + Chapter 8 of the State**(excluding AATT financing, previous year obligations and MEDE contributions)***Million Euros*

SECTIONS	2011	2012	% Δ 2012/11
12: MINISTRY OF FOREIGN AFFAIRS AND COOPERATION	2,646	1,205	-54.4
13: MINISTRY OF JUSTICE	1,681	1,574	-6.3
14: MINISTRY OF DEFENCE	6,929	6,316	-8.8
15: MINISTRY OF FINANCE AND PUBLIC ADMINISTRATIONS	3,473	2,679	-22.9
16: HOME OFFICE	7,822	7,485	-4.3
17: MINISTRY OF DEVELOPMENT	8,937	5,843	-34.6
18: MINISTRY OF EDUCATION, CULTURE AND SPORTS	3,918	3,088	-21.2
19: MINISTRY OF EMPLOYMENT AND SOCIAL SECURITY	22,593	20,924	-7.4
20: MINISTRY OF INDUSTRY, ENERGY AND TOURISM	5,515	3,753	-31.9
23: MINISTRY OF AGRICULTURE, FOOD AND ENVIRONMENT	2,808	1,932	-31.2
25: MINISTRY OF THE PRESIDENCY	449	432	-3.8
26: MINISTRY OF HEALTH, SOCIAL SERVICES AND EQUALITY	2,674	2,309	-13.7
27: MINISTRY OF ECONOMY AND COMPETITION	7,481	6,062	-19.0
31: EXPENSES OF VARIOUS MINISTRIES	2,285	2,200	-3.7
TOTAL MINISTRIES	79,209	65,803	-16.9
OTHER ENTRIES (a)	55,774	56,280	0.9
TOTAL EXPENSES	134,983	122,083	-9.6

Drastic cuts in
ministerial
spending



(a) Constitutional bodies, state pensions, interests, local authorities (excluding financial system), inter-territorial compensation funds, EU contribution and contingency fund.

STATE BUDGET FOR 2012

SUMMARY BY CHAPTERS

Excluding AATT financing system, previous year obligations and MEDE contributions

(In millions of Euros)

	BUDGET 2011	BUDGET 2012	% Δ s/ 2011
I. Personal expenses	26,982	27,339	1.3
- Personal assets	16,921	16,481	-2.6
- State pensions	10,062	10,858	7.9
II. Running costs of goods and services	3,385	3,022	-10.7
III. Financial costs	27,421	28,876	5.3
IV. Current transfers	46,584	42,556	-8.6
Current transactions	104,372	101,792	-2.5
V. Contingency Fund and other contingencies	2,472	2,377	-3.8
VI. Real investments	5,817	4,679	-19.6
VII. Capital transfers	9,362	5,022	-46.4
Capital transactions	15,178	9,701	-36.1
NON FINANCED BUDGET	122,022	113,870	-6.7
VIII. Financial assets	12,960	8,213	-36.6
NON FINANCED BUDGET +CHAPTER 8	134,983	122,083	-9.6

Important adjustments to all budgetary items except interest payments and pensions



MEASURES TO REDUCE EXPENDITURE

Development Cooperation:

- Contributions to the Spanish Agency for International Development Cooperation cut by 594 million
- Contributions to the Water Fund cut by 125 million and FONPRODE by 670

Defence:

- Investment cuts totalling 351 million, primarily in special defence programmes

Housing:

- Housing grants will be cut by 322 million

Infrastructure

- Overall investment will be cut by €144 million
- First generation motorways will be cut by 360 and contributions to ADIF and SEITTSA will be cut by 287 and 427 million, respectively
- Agreements on roads in autonomous communities will be cut by 211 millions



MEASURES TO REDUCE EXPENDITURE

Transport subsidies

- Grants to non-peninsular residents will be cut by 65 million

Education:

- Contributions, excluding scholarships, to be cut by 530 million

Jobs:

- Total of 67 million to be cut from the Immigrant Integration Fund
- Active Employment Policies will be cut by 1,557 million



GOBIERNO
DE ESPAÑA

MINISTERIO
DE HACIENDA
Y ADMINISTRACIONES PÚBLICAS

MEASURES TO REDUCE EXPENDITURE

The Treasury:

- Acquisition of shares and holdings in publicly owned companies cut by 254 million
- Contributions to economic promotion companies will be cut by 51 million



NON FINANCED STATE BUDGET FOR 2012

Million Euros

	2011	2012	Δ%
12. MINISTRY OF FOREIGN AFFAIRS			
Spanish Agency of Int. Coop. for Development	834	240	-71.2
Fund for the promotion of Development and Water fund	1,095	300	-72.6
14. MINISTRY OF DEFENCE			
Investments	1,005	654	-349
15. MINISTRY OF FINANCE AND PAPP			
To the RTVE Corporation	535	331	-38.0
Grant to companies in the financial promotion area	177	126	-23.7
Financial assets	545	249	-54.6
17. MINISTRY OF DEVELOPMENT			
Grant for non-peninsular resident transport	395	330	-16.5
Reduced toll rates	134	95	-29.2
Renfe-Operator (chapter 4 and 8)*	600	0	-100.0
Road conventions	341	129	-62.0
Assistances for access or to the home	785	456	-41.9
Investments (excluding 600M Euros of previous year obligations)	3,268	2,812	-13.9
Financial assets (excluding Renfe-Operator)	2,111	1,045	-50.5
18. MINISTRY OF EDUCATION, CULTURE AND SPORTS			
Transfers including scholarships	1,503	972	-35.4
19. MINISTRY OF EMPLOYMENT AND SOCIAL SECURITY			
Public Service of State Employment	15,746	13,233	-15.6
Fund for immigrant integration	67	0	400.0
20. MINISTRY OF INDUSTRY			
Institute of Mining and Carbon restructuring	689	359	-47.9
Extra cost of energy generation	256	0	-100.0
Support for automobiles . Electric vehicles	80	10	-87.5
	3,412	2,628	-23.0
23. MINISTRY OF AGRIC. FOOD AND ENVIRONMENT			
Rural development measures	200	28	-85.9
To CCAA for national agriculture and fishing plans	160	84	-47.1
Financial assets	222	101	-54.4
26. MINISTRY OF HEALTH AND SOCIAL AFFAIRS			
Unit level Agreement	233	0	-100.0
27. MINISTRY OF FINANCE AND COMPETITION			
Equity contribution to the CDTI**	536	114	-78.7
Multilateral financial institutions	555	351	-36.3

* 848 million Euros were invested in pending obligations from previous years

** The CDTI has a large cash surplus.



GOBIERNO
DE ESPAÑA

MINISTERIO
DE HACIENDA
Y ADMINISTRACIONES PÚBLICAS

Revenue Budget



INCREASING REVENUE TO HELP CONSOLIDATION

New tax measures to maintain revenue in spite of the crisis

Measures to halt falling revenues from corporate taxes. Charges will not increase, but there will be fewer deductions and the payment by instalment system will be restructured to increase revenue

Exceptional measures to stimulate payment of taxes on undeclared income, mirroring OECD strategies.
Efforts to combat fraud will also be strengthened

Revenue from tax on special items will be increased through tobacco



Revenue budget

CONCEPTS	2011		BUDGET 2012	INCREASE	
	BUDGET	COLLECTION		(3)/(1)	(3)/(2)
	(1)	(2)	(3)		
TAX REVENUES (before transfer to Territorial Entities)	164,932	161,760	168,726	2.3	4.3
INCOME TAX	71,761	69,803	73,106	1.9	4.7
COMPANIES	16,008	16,611	19,564	22.2	17.8
VAT	48,952	49,302	47,691	-2.6	-3.3
SPECIAL TAXES (IIEE)	20,825	18,983	18,426	-11.5	-2.9
Other Tax Revenues	7,386	7,061	9,939	34.6	40.8
TOTAL NON-FINANCIAL REVENUES (after transfer to Territorial Entities)	106,020	104,331	119,233	12.5	14.3



NEW TAX MEASURES

Millions of euros

CORPORATE TAX \Rightarrow 5,350

SPECIAL CHARGE \Rightarrow 2,500

Individual income tax
Royal Decree-Act 20/2011 \Rightarrow 4,100

	In 2012
A. COMPANY TAX	5,350
1. Deferred tax benefits	210
2. Accelerated depreciation	840
3. Financial costs	1,050
4. Instalments on the accounting result	2,500
5. Levy on foreign source dividends	750
B. OTHER DIRECT TAXES	2,500
2. Special levy	2,500
C. SPECIAL TAXES	150
1. Tobacco	150
D. RATES	214
1. Jurisdictional rates	214
TOTAL	8,214
Temporary income tax levy increase	4,100
TOTAL	12,314



1. Temporary measures:

- Limits on deductions for **Goodwill** (from 5% to 1%)
- Reduction of the maximum limit for **deductions** (from 35% to 25%)
- Introduction of a minimum limit for calculating the **instalment amount**

2. Indefinite measures

- Limits on **deductions for financial expenses** (30% of profit)
- **Freedom to decide depreciation** is eliminated. For SMEs, this is still linked to job creation



Special programme to regulate hidden assets

- Companies: Special charge of 8% on **repatriation of dividends** or income from the transfer of shares
- Individuals: Temporary programme to encourage individual to declare previously undeclared assets (until 30/11/2012). After this date, tougher penalties will be established for fraud
- A **special, global, charge** will be established to simplify how these assets are regulated
- The resulting declared income will not go untaxed because the total of assets declared will be taxed at 10%
- Legal certainty with regard to regularisation will be improved
- This measure has been adopted following criteria applied by international organisations (OECD) and based on the experience of neighbouring countries



Other tax measures

- Tobacco. Cigarette tax will be restructured, reducing the proportional tax and increasing specific taxation
- A preliminary draft law extending existing measure to combat fraud will shortly be approved