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DE ESPAÑA

MINISTERIO
DE HACIENDA
Y ADMINISTRACIONES PÚBLICAS



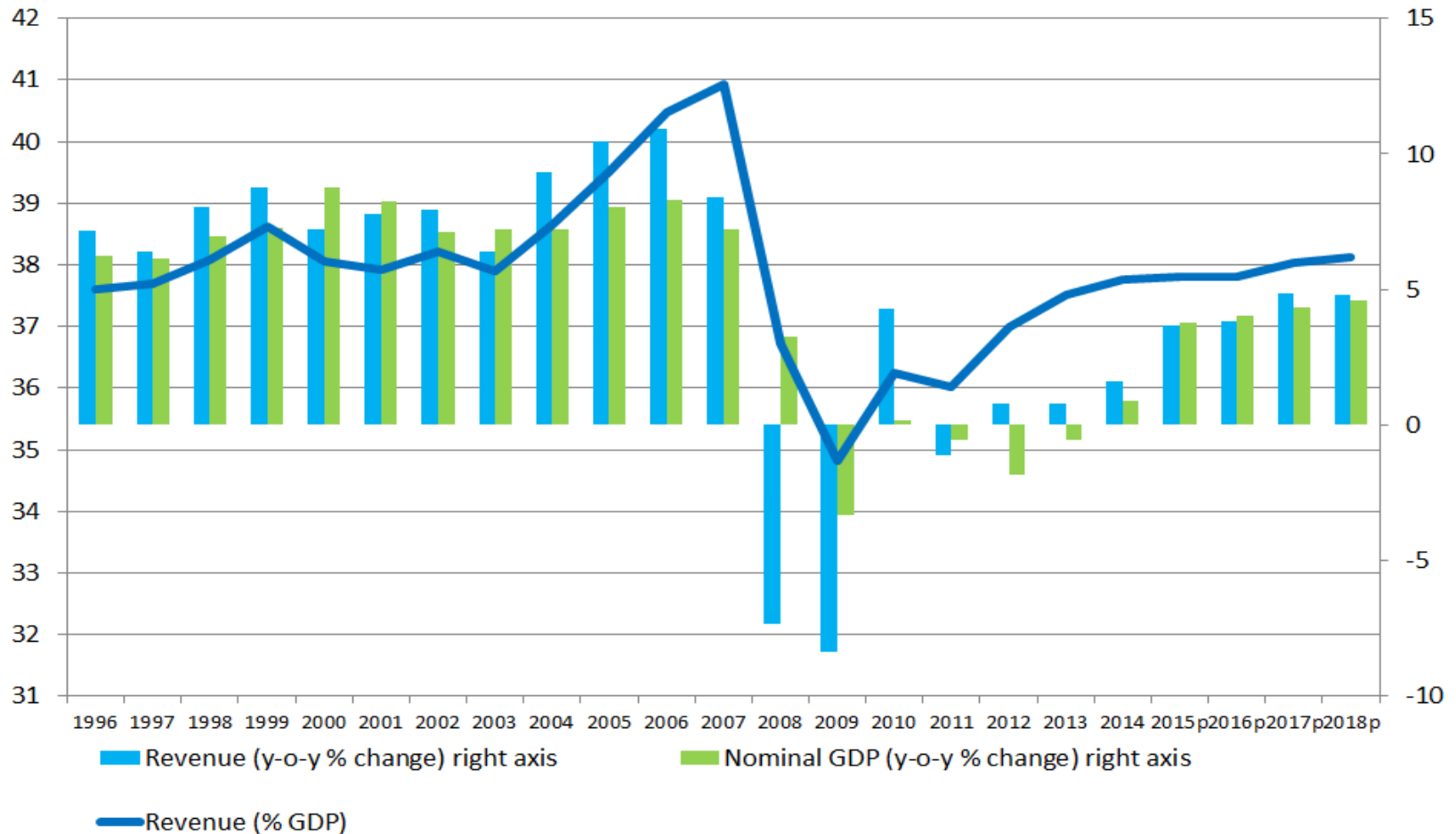
Royal Decree-Law on tax reform Council of Ministers, 10 July 2015



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Development of Public revenues (1996-2015)



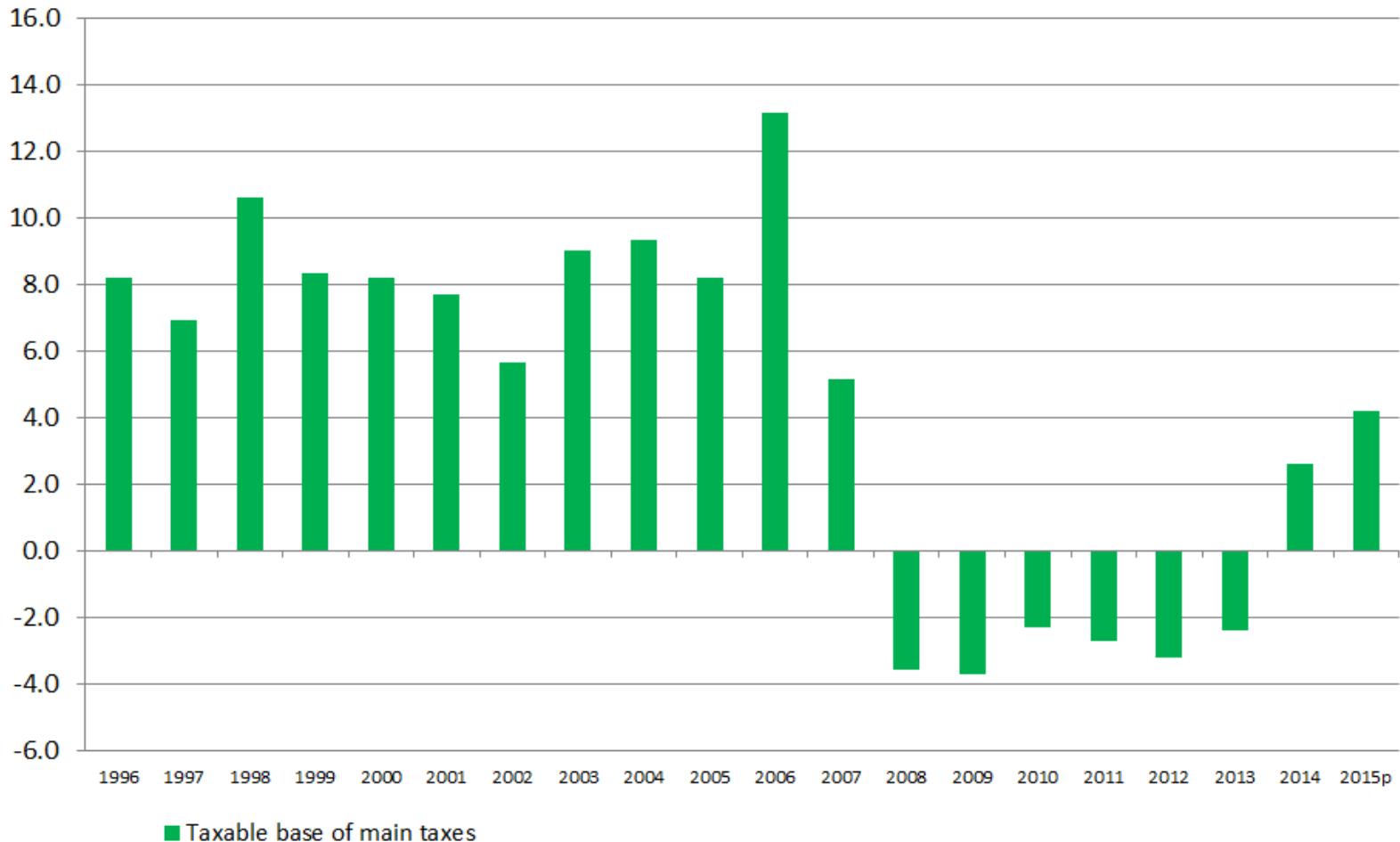
Source: Ministry of Finance and Public Administrations.



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Development of tax bases (1996-2015)



Source: AEAT (Spanish Tax Agency)



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RISE IN REVENUES 2015

- **National Accounts: very positive progress of collection up to May. Tax revenues increased by 7.4%.**
- **Remarkably, direct revenue from PIT and CIT increased by 8.3%, even though tax rates underwent a first and interim reduction.**



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A ROYAL DECREE LAW TARGETED TO:

- Stimulate **growth** and push **job creation** by reducing taxes in another 1,500 million euros. More disposable income for citizens as from July.
- A **more equitable tax** system. Highest reduction for low and middle incomes, social benefits for families with children and/or disabled members.
- Advance to the second half of 2015 the general tax rate on income and savings scheduled for 2016.
- Reduce withholdings on self-employed from current 19% to 15%



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PIT: General PIT reduction, specially for middle and low incomes

- As from 2016 final tax rates ranging from 19% to 45%.
- Average final PIT reduction, after reform, will amount to 12.5%
- 1.6 million taxpayers will stop paying PIT. Of these, some 750,000 earning less than 12,000 € will not even be subject to withholding
- As compared to 2011, the final tax reform will reduce taxation on employees under 50,000 euros

Income from employment (before taxes)	Average rate 2011 on net return	Average rate 2016 on net return	% difference 2016-2014	% difference 2016-2011
12,000	2.27%	0.00%	-100.00%	-100.00%
15,000	10.24%	8.16%	-22.82%	-20.31%
20,000	14%	12.48%	-13.54%	-10.84%
30,000	18.44%	17.58%	-9.01%	-4.63%
40,000	21.26%	20.73%	-7.73%	-2.47%
50,000	24.52%	24.11%	-7.66%	-1.70%
100,000	33.48%	33.64%	-7.12%	0.47%
150,000	36.88%	37.49%	-6.76%	1.67%



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GENERAL PIT REDUCTION

- An interim rate is set for 2015
- Sole interim rate all through 2015
- Its impact in economic terms amounts to bringing forward the rates scheduled for 2016 to the second half of 2015
- More money available as from July or August pay-rolls

Tax base	Rate		
	2015	2016	2015 RD-L
Up to 12,450	20%	19%	19.5%
12,450 - 20,200	25%	24%	24.5%
20,200 - 34,000/35,000*	31%	30%	30.5%
34,000/35,000 - 60,000	39%	37%	38%
60,000 - Onwards	47%	45%	46%

* Up to 34,000 in 2015 and 35,200 in 2016



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GENERAL PIT REDUCTION

- Transitional costs fully borne by Government
- Reduction granted out of the State part of the General tax rate
- Regional Governments (Autonomous Communities) do not need a new regional tax rate (unless decided otherwise) so, their 2015 percentages still apply.

Tax base	Rate		
	Estate	Region	2015 RD-L
Up to 12,450	9.5%	10%	19.5%
12,450 - 20,200	12%	12.5%	24.5%
20,200 - 34,000/35,000*	15%	15.5%	30.5%
34,000 /35,000 - 60,000	18.5%	19.5%	38%
60,000 - Onwards	22.5%	23.5%	46%

Up to 34.000 in 2015 and 35.200 in 2016



TAX ON SAVINGS REDUCTION

- An interim rate is set for 2015
- Sole interim rate all through 2015
- Its impact in economic terms amounts to bringing forward the rates scheduled for 2016 to the second half of 2015

Tax base	Rate			
	2014	2015	2016	2015 RD-L
Up to 6,000	21%	20%	19%	19.5%
6,000 – 24,000	25%	22%	21%	21.5%
24,000-50,000	27%	22%	21%	21.5%
50,000 - Onwards	27%	24%	23%	23.5%



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REDUCTIONS IN WHITHOLDINGS FOR SELF- EMPLOYED

- **General reduction in withholdings for self-employed from current 19% to 15%**
- **From current 9% to 7% for the first three-year term in business**
- **With effects from the entry into force of the RD-L**
- **This measure benefits nearly 800,000 self-employed, who will have a liquidity increase before the year's end amounting to 263€ on average**



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REDUCTION IN WITHHOLDINGS

➤ All withholdings are adjusted under the new rates

	2015	2015 RD-L	EFFECTO
Income from employment	Conting. on income	Conting. on income	New general tax rate
Professionals, lecturers, literary/artistic works	19%	15%	4 additional percentage points of liquidity
Professional activities, first three-year term in business	9%	7%	2 additional percentage points of liquidity
Earnings from the transfer of shares	20%	19.5%	½ additional percentage point of liquidity
Income from movable properties	20%	19.5%	
Income from immovable property	20%	19.5%	
Capital gains from the transfer of immovable properties	--	--	Benefitting from the new tax rates for savings irrespective of the date of the transfer



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NEW EXEMPTIONS

➤ Exempted items:

- Public subsidies to victims of male violence
- Public subsidies to meet basic needs (up to 1.5 IPREM – multiple-purpose income index)
- Public subsidies to adapt multi-user aerials for digital terrestrial TV.

➤ Limitation of liens on public aids targeted at meeting basic needs.