



Speech at the ABC, Deloitte and Ferrovial Forum

## Montoro: "The supplier payment plan will have an impact on employment and create up to 100,000 jobs"

- The Minister ruled out overcoming the crisis with new tax increases like IRPF (personal tax income), VAT and Excise Duties
- He set a deadline for the increase in Income Tax: 31 December 2013.

**15 March 2012.** The Minister of Finance and Public Administrations, Cristóbal Montoro, delivered a clear message of confidence on the Spanish economy during his speech at the ABC, Deloitte and Ferrovial Forum, having acknowledged the difficult situation that the country is facing: "Spain is a great country", and it has potential to move forward the Minister said.

With the population having grown by over 15 % Spain's level of per capita income is equivalent to the EU-27 average, "something which we were very far from achieving 15 years ago", the Minister went on to say. The employment level and Social Security affiliation is 50% more than that registered in 1996, and at the same time it is a highly internationalised economy that depends on overseas investment equivalent to 47% of the GDP. These arguments were put forward by the Minister to dismiss the image of Spain in recession, incapable of moving forward.

"It is a Spain undergoing reforms", Montoro stated when referring to the agenda for structural reforms that the Government maintains, all of which are necessary in order to overcome to crisis. He also had something to say on the importance of the financial reform, the labour reform and particularly the public sector reform, the main objective of which will be to pay outstanding invoices. "It is not acceptable for public administrations to have outstanding invoices stacked in drawers", Montoro said whilst defending the cash injection of €35,000 million

which the Public Administrations' supplier payment plan is going to pump into the economy. This important financial transaction is going to have an economic impact on employment and create between 75,000 and 100,000 jobs. Suppliers will also be given priority in the next VAT reform so that they pay this tax when they receive payment for future invoices and not when they are issued, which is the case now.

### **IRPF (personal income tax) will not go up**

The Minister of Finance and Public Administrations also wanted to make it clear that increasing taxes is not the answer for overcoming the crisis and categorically rejected IRPF (personal income tax) being increased again. He stood by the commitment that the increase set on 30 December also has an expiry date: 31 December 2013.

Based on this the Minister explained that the 2012 State Budget would not involve "inequitable and unfair" tax increases, "as they would be extremely detrimental for the economy". Along the same lines he also rejected other taxes like Excise Duties or VAT being increased, especially now at a time when revenue is reducing.

"We will not obtain money by increasing taxes but rather from more neutral places", the Minister added. He spoke in favour of covering the cost of health care with taxes at the same time as he defended an improvement in management, so that under no circumstances would it be described as "unfeasible".

The Government's economic policy relies on two basic instruments which are consistent with the common interests of the European Union and the euro. The first is fiscal consolidation and the development of cultural stability in all administrations and the second is structural reforms. On the matter of fiscal consolidation, demanding targets have been outlined for this year as well as for next. According to the Minister, the European Commission's agreement will push us into a new virtuous cycle of growth and job creation. "Europe means growth, stability and opportunity, not sacrifice", the Minister said in his speech.