



Implementation of the new antifraud law

## The cash payment limit of 2,500 euros has come into force

- It will apply to all types of economic transactions involving a business owner or independent contractor
- Taxpayers who break the law will face penalties of 25% of the value of the cash payment
- The Tax Authority will waive the sanction for the party reporting the case. The Tax Office has set up an online procedure for reporting offences

**18 November 2012.** Tomorrow, 19 November, the cash payment limit of 2,500 euros will come into force for transactions in which business owners or independent contractors are involved. The provision is included in the new antifraud law that was published on 30 October in the Official State Gazette (BOE). The law expressly states that this limit on the use of cash would take effect 20 days after publication of the regulation in the BOE.

The legislative experience of EU countries such as France and Italy has been taken into account in implementing this measure. This means that transactions of €2,500 or more may not be paid in cash if they involve one or more business owners or independent contractors. In other words, it will also affect transactions between an individual and a business owner. However, this limitation will not apply to payments made through credit institutions.

The limit on the use of cash rises to €15,000 if the payer is an individual non-resident, in order not to impact activities linked to tourism.

Participants in transactions must keep documentary evidence of the payment for five years from the date of the payment, to prove that it was made through a means of payment other than cash. These documents must be provided at the request of the Tax Agency.

Anyone failing to comply with this requirement will be liable to a fine of 25% of the value of the cash payment. Both the payer and the payee will be jointly and severally liable for such an offence, meaning that the tax authorities may pursue either party to collect 100% of the penalty.

## **NO FINE IF REPORTED**

Taxpayers that are involved in one of these transactions will be exempt from punishment if they voluntarily report the incident to the administration within three months of having made the cash payment. The Tax Agency has enabled an electronic procedure on its website ([www.aeat.es](http://www.aeat.es)) to process reports from tomorrow, referring exclusively to cash payments in excess of 2,500 euros.

The law also expressly forbids splitting transactions to avoid reaching the legally established limit of 2,500 euros. In addition, the law introduces reporting requirements for any authority or public official, who in the performance of their duties, becomes aware of any breach of this legal limitation.

## **HIGH DENOMINATION NOTES**

The use of large quantities of cash is directly related to transactions that aim to evade taxes. Limiting cash payments reinforces the Tax Agency's control in the fight against fraud. It therefore includes the special plan on the use of high denomination notes (200 and 500 euros), launched four years ago and which continues in force by the Administration.

