General State Budgets 2013

The Government approves the General State Budgets Bill that sets a 1% increase on all pensions

- It establishes a 1% increase on all pensions. Spending on pensions increases by 4.9% compared to 2012 to a total of 121.557 billion euros
- This austerity package will obtain the bulk of the adjustment through cuts in spending which will drop by 7.3% while revenue will increase by 4%
- Freezing public sector salaries and new public sector jobs will help to lower the State's personnel costs by 3.9%
- All government ministries will cut back their spending by 8.9% to a total of 39.722 billion euros
- The State will assume the funding of non-contributory benefits with 6.662 billion euros
- The unwavering commitment to cut the deficit of Public Administrations as a whole, to 4.5% of GDP in 2013, remains in place
- In 2013, the Government will allow businesses to restate their balance sheets and will limit tax deductions for depreciation
- The Government will use the use the additional tax revenue arising from certain selective changes in taxation to increase pensions and fund social spending

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27 September 2012. The Council of Ministers has approved the resolution to send the General State Budgets Bill for 2013 to the Spanish Parliament. This is an austere budget plan which will further advance the process of restructuring the Spanish economy, establishing solid foundations which will support economic growth and job creation.

The State Budgets for 2013, the second set of budget plans the Government has drafted this year, will also help ensure that Spain fulfils the fiscal consolidation commitments it has made with Europe.

The austerity in next year's budget is reflected in a 7.3% cut in State spending, excluding the contribution to Social Security, the payment of interest and the system for funding the territorial administrations (regional and local), in addition to the 4% increase in revenue in the midst of a complicated economic backdrop.

This effort to limit public spending in 2013 will be more focused on fiscal consolidation than on increasing revenue. Sixty percent of the adjustment will come from spending cuts and the remaining forty from an increase in revenue.

Nevertheless, next year's budget maintains a series of priority policies, as is the case with social spending which accounts for 63.6% of consolidated spending.

Pay freeze for public sector workers

Spending on pensions will increase 4.9% compared to 2012 to reach a total of 121.557 billion euros, including a 1% increase on all pensions.

The State's contributions to funding non-contributory benefits will reach 6.662 billion euros.

The State's personnel costs will drop by 3.9% as a result of freezing public sector salaries and new public sector jobs, with the exception of certain sensitive areas such as hospital staff, teachers, security, fraud prevention and fire fighting which will have a 10% replacement rate. Researchers and those working to promote international growth will also have a 10% replacement rate.

Public sector workers are guaranteed two additional payments in 2013

Another priority for economic development that will remain unchanged from 2012 is civil R&D which keeps its 5.563 billion euro budget.

Subsidies to unions, political parties and business organisations will be cut once more in 2013. Specifically, those subsidies to unions, businesses and other organisations will be subject to a 20% drop which rises to 40% when added to the cut in 2011. Subsidies to political parties will fall by 42%.

Other high-priority spending policies that will contribute to the State's fiscal consolidation are public safety and prisons, which will be cut by 5.4% to 7.903 billion euros, and Justice which will be cut by 4.3% to 1.543 billion euros.

Spending at Ministries will drop by 8.9%

The commitment is to reduce the deficit of all Public Administrations as a whole to 4.5% of GDP compared to the 6.3% target for 2012. The Central Administration and Social Security will reduce their deficit to 3.8%, the Autonomous Regions will have to reach a deficit target of 0.7%, while Local Corporations will need to have a 0% deficit by the end of 2013.

The State Budgets for 2012 include an overall reduction in Ministries' spending of 8.9%, excluding any obligations from previous years and contributions to the Public Employment Service, Social Security and the ESM, for a total of 39.722 billion euros.

The Ministry of Agriculture, Food and the Environment will suffer the highest cuts in the 2013 Budgets and will see its spending drop by 25.4%. Next is the Ministry of Industry, Tourism and Trade with 21.3% cuts and the Ministry of Education, Culture and Sport with 17.2%.

On the other hand, spending by the Ministry of Health, Social Services and Equality will rise by 28.6% and the Ministry of Employment and Social Security's spending will increase by 13.7%.

Revenues

Total non-financial revenue for 2013 after the allocation to territorial authorities (local and regional) will reach 124.044 billion euros, a 4% increase on the 2012 Budget.

Tax revenues before the allocation to territorial authorities will reach 175.177 billion euros, up 3.8% on the 2012 Budget. Revenues from personal income tax will grow by 1.5% to 74.215 billion euros, while revenues generated from corporate income tax will drop 2.8% to 19.012 billion euros.

Measures put in place by the Government will see revenues from VAT rise by 14.6% to 54.657 billion euros, while revenues from excise taxes will grow by 8.3% to 19.956 billion euros.

Tax measures

In addition to the General State Budgets for 2013, the Council of Ministers also approved a Bill with tax measures intended to consolidate public finances and stimulate economic activity.

Within this package of measures, in 2013 the Government will allow companies to restate their most recently approved balance sheet. This will enable them to adjust their accounting figures to changes in inflation, thereby avoiding inflationary pressure in companies while bringing book values closer to market values. This restatement is optional, is open to both legal and physical persons, and will be subject to a 5% tax on the restatement amount. It will cover tangible fixed assets and financial leases.

The amount of the book revaluations will go into a special revaluation reserve. Subsequently this amount may be used to offset accounting losses, to increase the company's share capital or as unrestricted reserves. This measure will therefore also boost companies' internal financing by giving them greater access to the capital and debt markets.

The restatement factors will be set by regulations to be applied to the acquisition price and depreciation. Balance sheet restatement is a measure undertaken with a certain frequency. The most recent were approved in 1983 and 1996.

Moreover, as a temporary measure for 2013 and 2014, the Ministry of Finance will limit the tax deductions on tangible fixed asset depreciation by large companies. This will be 70% of the maximum established in tables. The measure will be implemented in 2013 by means of payments by instalments. SMEs and micro-SMEs will not be subject to this measure and will be able to depreciate as normal.

Short-term capital gains

The Bill will also make changes to the tax system applicable to short-term capital gains with a view to curbing speculation. In this way, profits from the sale of capital assets held by a taxpayer for one year or less will be included in the general taxable base for personal income tax. These gains will be taxed at the general rate, i.e. at the taxpayer's tax rate instead of at the tax rate on savings which is applicable at present.

Lottery winnings

In addition, the Ministry of Finance will apply a 20% tax to winnings from the lottery and betting organised by the National Lottery and Betting Organisation and by the Autonomous Regions, and from prize draws organised by the Red Cross and ONCE. This tax will be applied to winnings from 1 January 2013. Winnings below 2,500 euros are exempt. Moreover, a withholding or payment on account coinciding with the amount of this special tax will be applied and will operate as an exonerating withholding tax.

In relation to the Wealth Tax, the taxation on individual's wealth is postponed until the 1 January 2014. The Autonomous Regions have legal authority to set allowances for this tax.

Houses and Property Tax (IBI)

In relation to property, tax rebates on investment in the usual residence will no longer apply to any purchases made after 1 January 2013. This measure, which was already mentioned in Congress by the president of the Government, follows recommendations made by the European Commission. The rebates will remain for purchases made prior to 2013.

In addition, local authorities may choose to apply the property tax to historical and artistic heritage sites involved in economic activities.

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