General State Budget 2013

The Government publishes its 2013 Budget, committed to tackling the deficit, economic growth and employment

- The Government has reaffirmed that it will achieve the 2012 deficit target of 6.3% for the Public Administrations as a whole, based on tax collection in line with the budget target

- 58% of the 2013 budget adjustment will be achieved through spending cuts and 42% through tax increases

- These efforts are balanced, as social spending accounts for 63% of Budget spending

- Salaries for public-sector employees are being held at the same level. This, together with a public-sector recruitment freeze, will result in a 3.9% reduction in spending on the Government's active workforce

- Subsidies to political parties, trade unions and business organisations are to be reduced by a further 20%

- In a decisive step towards the separating out of Social Security funding, taxes will be used to finance non-contributory pensions

- Pensions will increase by 1%, as in 2012

- General grants and compensation payments to Universities will increase by 2.4% to 1.163 billion euros, 23 million higher than in 2012

EMAIL
secretaria.prensa@minhap.es

This information may be used wholly or in part without the need to cite sources

ALCALÁ, 9
28071 - MADRID
TEL: 91 595 80 71/2
FAX: 91 595 84 66

www.minhap.gob.es -

29 September 2012. The Minister of Finance and Public Administrations, Cristóbal Montoro, submitted the 2013 State Budget to Parliament today. This is an austerity budget that continues and enhances the cleaning up of Spain's economy, reinforcing its image as a country that meets its European commitments.

The 2013 State Budgets are the second set of budget plans the Government has drafted this year, and will help to ensure that Spain fulfils its fiscal consolidation commitments. The Budget aims to continue on the path of public-sector deficit reduction, whilst ensuring sustainable financing of Social Security, completing the process of separating out its sources of finance.

This latter measure involves increasing contributions for Social Security in 2013 by 6.66214 billion euros. The Government is also faced with increased interest payments on its debt -up to 9.741 billion euros- together with the system for financing Regional Governments, amounting to 35.314 billion euros.

The 2013 fiscal consolidation will rely more on containing public spending than on increasing revenue. 58% of the adjustment will come from spending cuts and 42% from increased revenues.

Despite its commitment to budget consolidation, the Government will continue to prioritise all items of social spending, which accounts for 63.6% of total consolidated spending.

Ministerial spending to fall 8.9%

Excluding these items, State spending is set to fall by 7.3% compared to 2012, to 80.317 billion euros. Excluding unavoidable items -such as state pensions, transfers to the European Union and contributions to State Employment Services, which in 2013 will amount to 10.341 billion euros- spending by government ministries is set to fall by 39.722 billion euros, leaving it 8.9% lower than the previous year.

The 2013 Budget includes a commitment to reduce the deficit of the Public Administrations as a whole to 4.5% of GDP, compared to 6.3% at the end of 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 budget target is for Central Government debt to be 70.2% of GDP at the end of 2013, compared to 66.1% at the end of 2012, whilst debt for the Public Administrations as a whole will be 90.5% of GDP, compared to 85.3% at the end of this year.

This significant increase in debt in 2012 and -to a lesser extent- 2013 is a consequence of increased debt requirements resulting from the economic crisis; the effect on the public-sector accounts of the Fund for the Financing of Payments to Suppliers; and the share of the loans to Greece, Portugal and Ireland and the loan for recapitalisation of the Spanish financial system assigned to Spain.

Pensions increased by 1%

Spending on pensions will increase by 4.9% compared to 2012, to 121.557 billion euros, including a 1% increase on all pensions. The State's contributions to funding non-contributory benefits will amount to 6.662 billion euros.

The State's personnel costs will drop by 3.9% to 15.615 billion euros as a result of freezing public sector salaries and new public sector recruitment, 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 by a further 20% in 2013.

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.

Contributions to the most important university and non-university grants, together with compensation for Universities, will rise by 2.4% to 1.163 billion euros, 23 million euros higher than in 2012.

Infrastructure credit will fall by 934 million euros (-13.5%). The policy of reducing capital transfers to public companies will continue. The State's contribution to Corporación RTVE will be reduced by 50 million euros, a fall of 15%. In total, the Government's contributions to RTVE will fall by 254 million euros in 2012 and 2013.

Revenues

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

Income tax revenues before transfers to Territorial Entities will rise to 174.099 billion euros, up 3.8% on the 2012 Budget. Revenues from personal income tax will increase by 1.5% to 74.215 billion euros, whilst Corporation Tax revenue will decrease by 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 benefits

Tax benefits in 2013 will increase to 38.986 billion euros, 2.3% up on 2012. There will be a significant reduction in Corporate Income tax deductions (16.6%), as a result of economic conditions and tax changes implemented by the Government to increase the tax rate effectively paid by companies. Tax deductions for Customs Duties will fall by 23.6%.

This will be offset by an 8.3% increase in tax benefits for personal income tax (16.365 billion), particularly due to reductions on employment income (16%) and exemptions for redundancy payments (35%). One of the most important items in this will be tax benefits to stimulate employment, which will account for almost a fifth (19.5%) of the total of 38.986 billion euros.

Tax measures

The draft bill accompanying the 2013 General State Budget includes new tax measures aimed at consolidating public-sector finances and boosting economic growth. These measures are additional to those already approved this year, focusing on Corporate Income Tax and VAT.

As part of 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 for changes in inflation, This restatement is optional and is open to both legal and physical persons; it 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. Amortisation of the updated value will begin from January 2015.

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 will not be subject to this measure and will be able to depreciate as normal.

Offsetting losses

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. The Hacienda Tax Agency will permit partial offset of short-term losses.

VAT

Greater flexibility will be introduced to requirements for recovering VAT paid to the Tax Agency but not yet charged to the customer in operations involving delayed payments. In addition, doubts relating to mechanisms for paying suppliers are to be clarified.

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.

'On-line' gambling

The Tax Agency will now permit losses to be discounted from winnings in the same tax period. This brings the system more closely into line with that in other countries, particularly with regard to "on-line" gambling'.

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.

In relation to property, tax rebates on investment in the usual residence will no longer apply to any purchases made after 1 January 2013. The rebates will remain for purchases made prior to 2013.

Valuations and rates

The Bill speeds up the property valuation process, making available an abbreviated procedure for the valuation inspection. The General State Budget introduces greater flexibility for changes to management of this process.

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

Email
secretaria.prensa@minhap.es

This information may be used wholly or in part without the need to cite sources

ALCALÁ, 9
28071 - MADRID
TEL: 91 595 80 71/2
FAX: 91 595 84 66

The General State Budget also includes a general 1% increase on all the Tax Agency's state taxes.

Autonomous community funding

The 2013 General State Budget includes a 0.47% increase in regional funding (Autonomous Communities and Local Authorities) compared to the previous year, increasing from 100.194 billion euros in 2012 to 100.665 billion.

This includes a 7.13% (1.0603 billion) increase for local entities. There will be a slight decrease for the autonomous communities of 0.7% to 84.732 billion; this amount is sufficient to meet the objective of ensuring the provision of basic services (Education and Health).

Social Security

The 2013 Social Security budget complies with the objective of 2013-2015 budget stability, limiting the State's non-funding costs for the next year. The objective is to achieve a balanced budget for the Social Security organisation. The Social Security budget will continue to be subject to austerity and spending efficiency, whilst also allowing for a 1% increase in pensions.

Consolidated non-financial Social Security revenues will increase by 4.8% compared to 2012, to 125.68196 billion euros. Social security contributions, the main source of income, will amount to 105.86321 billion euros, 82.6% of the total budget. Contribution revenue for employees and workers will increase by 1.6% in 2013.

In 2013, the State will make contributions amounting to 15.55379 billion euros to the Social Security, an increase of 6.66214 billion, 74.9%, on 2012. One major item in this increase is the contribution to cover supplements to minimum pensions, which will increase by 107.4% in year-on-year terms, to 4.08898 billion euros. This contribution will make it possible to complete the state financing of supplements to minimum pensions one year ahead of schedule. Another item that will increase State contributions to the Social Security is financing of prior year non-contributory pension obligations, family allowances and contributions for non-professional care providers; this increase will amount to 2.30942 billion euros. These figures confirm the Government's commitment to ensuring the sustainability of the Social Security system.

In addition, the State will transfer 2.20576 billion euros to the Social Security administration for dependency care, of which 1.0878 billion euros is for funding the minimum guaranteed by the Government and 1.034 billion for the contributions of non-professional care providers.

The 2013 consolidated non-financial expenditure budget will rise to 125.79943 billion euros, a 5% increase on the previous year.

The largest item in this relates to contributory pensions, amounting to 106.3501 billion euros. Benefits for temporary disability will increase to 5.83059 billion, 0.5% higher than in 2012; this small increase demonstrates the effectiveness of the measures taken to contain spending on this item.

EU relations

In 2013, Spain's contribution to the European Union's General and Cooperation and Development Budget will rise by 1.1% compared to 2012, to 11.9006 million euros.