



Appearance before the Senate Budget Committee

Ferre: "The income forecasts are conservative and in keeping with the economic situation"

- The Secretary of State for Finance pointed out that without the tax measures included in the 2012 Budget, revenue would fall by 3%. In April revenue execution stood at around 99%.
- The ministerial order governing the extraordinary plan to regularise concealed income will be published in the next few days in the Official State Gazette (BOE).

30 May 2012. The Secretary of State for Finance, Miguel Ferre, today defended in the Senate, the "conservativeness" with which income forecasts had been set in the General State Budget for 2012. In his appearance before the Budget Committee of the Upper House, he pointed out that the revenue forecasts are "in keeping with the economic situation Spain is going through". Despite weak consumption, which is reflected in VAT revenue, the Secretary of State emphasised the fact that "in April, revenue execution was around 99%, in line with the Government's provisions" so the Government is not considering a plan B. He went on to express his belief that the Government was right not to have considered raising VAT in this year's Budget, as "it would have had very little impact" given the sluggish consumption.

Ferre made reference to the set of tax measures included in the decree of 30 March, that will help to boost income at a time of economic recession. Above all, they affect the taxation of legal persons through Corporation Tax. These measures will bring in an additional €12,300 million in revenue that will help to ensure this year's fiscal consolidation target is met and will broaden the tax bases for coming years. Without these measures, revenue would fall by 3% in overall terms this year.

He also stated that the tax changes introduced would demand a greater effort from those with a greater capacity to pay, through Corporation Tax and income tax (IRPF). Furthermore, he added that many of the measures are specific to the current climate and that they would be withdrawn once the situation improves.

REGULARISATION PLAN

The Secretary of State also highlighted the extraordinary plan for regularising concealed income included in the decree on tax measures passed on 30 March. This plan will allow income to surface on receipt of a 10% tax levied on the value of the undeclared assets and rights. Ferre announced that the Ministry of Finance is putting the finishing touches to the order governing said plan which "will be published in the next few days" in the Official State Gazette following the report required from the Council of State. It includes the tax return form for those who decide to take advantage of the programme, which will run until 30 November.

Through this plan the Government expects to collect €2,500 million, and it is a programme that has the approval of the OECD. Ferre underlined that this ministerial order "will set out all the legal arguments" and in this way would provide extra legal security unlike other previous pieces of legislation.

MEASURES TO COMBAT FRAUD

The Secretary of State did, nevertheless, stress that the regularisation plan can not be analysed in isolation. It is also expected that other income will be obtained through a broad range of tax related measures, that will place the Spanish administration at the forefront of the fight against tax fraud. Ferre made reference to the draft bill to step up the fight against fraud, that will be sent to the Spanish Congress in the next few weeks once it has been approved by the Government in the Council of Ministers.

Among the measures included in the aforementioned regulation is a limit on cash payments of €2,500 in transactions involving a business person or professional and the new obligation to provide information on securities and accounts held overseas. It also includes the exclusion from the modular tax system of certain groups of professionals and higher guarantees to guarantee the payment of outstanding tax obligations.

HARSHER PENALTIES FOR TAX RELATED OFFENCES

Ferre also said that the fight against tax evasions would be stepped up with the reform of various articles of the Penal Code, establishing a new more serious type of tax offence. This would allow for the maximum prison sentence to be raised to six years for these kinds of offences, which will also have a longer limitation period of ten years compared to the current five. The reform of the Penal Code, drawn up in conjunction with the Ministry of Justice and the Ministry of Employment and Social Security, also includes tougher sanctions and penalties for social security fraud.