



The “Beckham” law - Spain’s favourable personal tax regime

Spain introduced a favourable tax residency regime over 10 years ago aimed at attracting foreign footballers, executives and employees to Spain. It was rumoured at the time that this legislation was brought in by the Spanish Government to help appease Spanish football clubs and in particular the move of David Beckham to Real Madrid (hence it being nick named by many professionals as the “Beckham law”).

Spanish tax residents are liable to Spanish tax on a worldwide basis. In order to help lift this potential tax barrier of liability to worldwide taxation for people relocating to Spain, the Spanish Government introduced amendments to the standard definition of tax residency for individuals moving to Spain for employment purposes.

These rules allow an individual who has come from abroad to work in Spain to elect to be treated as a non Spanish tax resident and therefore be liable to tax on only Spanish income and assets. The election applies in the year of change of tax residency and the following five years.

The original pre-requisites for this status included the following:

- a) The individual cannot have been Spanish tax resident in the 10 years prior to the move to Spain.
- b) The reason behind the move to Spain was for an employment contract in Spain.
- c) The employment duties must be carried out in Spain, although it is possible to carry out some non Spanish duties but these must be minimal.
- d) The employer must either be a Spanish resident company/entity or if not Spanish resident then the employer operates through a permanent establishment in Spain.
- e) The employment income received is not deemed to be exempt under the Spanish non resident income tax law.
- f) From the 1/1/2010, income received by the relocated employee could not exceed €600,000 per annum.

Amendments from 1st January 2015

From the 1st January 2015 the above rules were amended for new applicants (made more flexible).

- All “employment” income (foreign or Spanish) obtained by the taxpayer will be taxed as Spanish source income, but other non-Spanish source income will continue to fall outside the scope of Spanish taxation.
- The taxpayer can be a Director of the employing Company with no shareholding interest or if they have an interest, this interest does not equate to the Company being a connected party in the terms provided in Article 18 of the Spanish Corporate Tax Law.
- Professional sports-persons are now specifically excluded from applying for the regime.
- The income limit of €600,000 has been removed and employment income exceeding this amount is taxed as 45% (with the same non residents rate of 24% applicable on income up to €600,000).
- Tax rates for any savings income obtained under this regime is as follows: 19% up to €6,000, at 21% from €6,000 up to €50,000, and at 23% on the amounts exceeding €50,000.

If you need any further information on this special form of tax residency or you need help on any other tax, legal or accountancy issues please do not hesitate to contact us:

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