

### Spain's inpatriates tax regime

The Spanish **Personal Income Tax Law** establishes a regime which is intended for foreigners who are based in Spain because their work duties are carried out therein. These individuals are considered by the Law as "*Inpatriates*". This regime is also known as the "**Beckham Law**".

Some of the advantages of this special regime are: Taxation at the rate of 24% for the income obtained in Spain up to the limit of € 600.000, and being taxed exclusively on income obtained in Spain, but obtaining tax residence there, which allows the taxpayer to request the tax residence certificate, that can then be used to avoid being considered a tax resident in other countries, resulting in some cases in a situation of non-taxation of the incomes that are obtained in them.

However, this regime does not apply automatically; the applicant needs to meet the following mandatory requirements beforehand:

1. Not to have been a Spanish Tax Resident during the 10 tax years before his/her application.
2. The applicant's relocation to Spain must be based on:
  - a. An **agreement** with a Spanish employer followed by the signing of an employment contract, or the transfer as an employee of a foreign company to Spain.
  - b. The applicant's appointment as director of a company, in which the displaced person holds less than 25% of the shares.
3. The income received by the applicant cannot come from a permanent establishment based in Spain.

The applicant must file his/her petition with the **Tax Administration** within 6 months of the start of the activity that appears at the **Social Security** Registration in Spain. In order to do so, the Applicant must file a tax form and submit it to the Tax Authority.

Once the *Inpatriate* has met the above-mentioned conditions, he/she will be taxed as follows:



- a) Regarding their ordinary income (i.e. salary), the taxation rates are:
  - a. 24% up to €600,000.
  - b. 45% beyond €600,000.01
- b) Dividends, interests and capital gains tax a rate of 19%, 21% and 23%.

As regards to assets located in Spain, the individual, in compliance with the aforesaid scheme, will be subject to the Spanish Net Wealth Tax as if he was a non-resident.

This regime applies if the individual is resident in the country for more than 183 days in one calendar year. As long as the applicant meets these criteria, he/she will attain the Spanish Tax Residency and the regime will be applicable the following 5 years.

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