

CHANGES IN THE SPANISH "BECKHAM LAW", BUT STILL AN ATTRACTIVE REGIME - CUATRECASAS GONCALVES PEREIRA

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Category: [Tax](#)

Tags: [2010](#), [but it might still go ahead](#), [enacted in 2004](#), [which has extensively benefitted from it](#). [The Spanish parliament still has to discuss this proposed amendment](#)



The Spanish impatriate tax regime, enacted in 2004, also known as the “Beckham Law” – as football player David Beckham was one of the first individuals to apply it – was amended with effect from January 1, 2010, despite pressure from the Spanish football lobby, which has benefited extensively from it.

Under the amendment, employees expecting employment income of over €600,000 per year will no longer be able to apply the impatriate regime and they will instead now be taxed under the general rules on personal income tax, at progressive rates of up to 43% (instead of the current 24% flat rate applied under the impatriate regime).

The rule enacted in 2004 was aimed at establishing a tax regime to attract talented people to work

in Spain, particularly the top executives of multinationals who might then set up their regional headquarters here, and bring with them highly qualified employees. The regime also aimed to improve the Spanish economy in the long run; with the belief that the increase in economic activity would compensate for the tax cost of the measure.

The impatriate tax regime applies to non-resident individuals moving to Spain due to employment contracts, and who become Spanish tax residents. If they opt to apply the regime, only the income they obtain in Spain will be subject to Spanish taxation (applying a flat rate of 24%, instead of a progressive rate of up to 43%) during the tax year in which they become tax resident in Spain, plus the following five years. Capital gains and interests obtained in Spain will be taxed at a flat rate of 19%. The regime is thus a very attractive regime for many people now resident for instance in the UK facing taxation up to 50% on their income.

To apply this regime, individuals must have not been tax resident in Spain during the previous 10 years. They must work for a company resident in Spain, or for a Spanish permanent establishment of a nonresident business, effectively carrying out at least 85% (or 70% in some cases) of that work in Spain.

During the six years of its existence, many people from different fields, including football players — as has been widely reported by the media — who have employment relationships with football clubs, have applied the regime.

The amendment has not though stopped important global banks from considering moving some of their London-based teams to Spain to benefit from the impatriate regime, and to avoid the increase of tax rates there. The current trend is for financial institutions to consider moving some of their operations to Spain, with even some hedge funds also reportedly considering the option.

As mentioned, under the amendment, employees expecting employment income of over €600,000 per year will no longer be able to apply the regime. The modification especially hits football players since many have in most cases their main income paid in the form of salary, to which the limit of €600,000 or above applies. The new limits in the application of the regime might not though affect others considering using it if the composition of their income is not limited solely to salary income (to which the €600,000 limit applies).

With regard to tax payers benefiting from the impatriate regime before January 1, 2010, the new limit on their salary is not applicable.

The Spanish government has justified the amendment by stating that high earning taxpayers cannot benefit from lower taxation, such as the one in the impatriate regime, considering Spain's current economic crisis. However, I believe that the government might not have thoroughly analysed the impact that this tax regime could have on the Spanish economy, particularly regarding economic sectors like life sciences, finance, and high-tech industries, as well as the activities directly or indirectly related to professional sports, such as publicity and communication agencies.

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