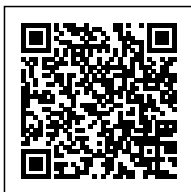


# INCOME TAX BILL SOON TO BECOME LAW - ROCA JUNYENT

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**The draft bill on personal income tax, Impuesto sobre la Renta de las Personas Físicas (IRPF), and non-resident income tax, Impuesto sobre la Renta de No Residentes (IRNR), is going through the Senate of Spain and is expected to take effect – except for a few specific elements – from 1 January, 2015.**

As well as a drop in tax rates, the final Act will usher in other changes impacting all sources of

income that make up Spanish IRPF. They include the cap on exemption for dismissals, the drop in the reduction percentage applicable to income generated during an income generating period of over two years – known as irregular income – and the tax treatment for distributing issue premiums or capital reductions involving the return of capital contributions for non-listed securities. A further development worthy of mention is the new framework for capital gains earned from equity items acquired prior to 31 December, 1994. Although the wording of the bill initially eliminated the application of the so-called *coeficientes de abatimiento* – amortisation ratios providing a reduction in taxable capital gains – an amendment has recently been drawn up to alter the scope of the elimination.

On the subject of Spanish IRNR and international taxation, what we are seeing is a sweeping move to bring Spanish law in line with European law in a bid to enhance legal certainty while helping to combat tax evasion and fraud.

Among the many changes envisaged in the bill is the introduction of an exit tax system that comes into play when taxpayers change residence to a foreign country and meet a number of other conditions. Moreover, the definition of parent company has been broadened for the purposes of claiming the parents-subsidiary exemption, while taxpayers will soon be able to declare their foreign pensions, if they have not done so already, under a very generous framework.

In view of the wording of the bill already approved by the Spanish Congress of Deputies, together with the amendments made thereto, there are certainly some major changes in store for 2015. It might, therefore, be a smart move to start making your decisions now in 2014 as to whether your business affairs would be best completed this year or put off until 2015.

In this regard, item 9 of the IRPF and 4 of the IRNR include a summary of the main issues to take into account when making decisions.

Once the new IRPF and IRNR Act has been finally approved and enacted, we will offer a more detailed analysis.

Juan Alberto Urrengoechea is a partner at Roca Junyent. He can be contacted at [ja.urrengoechea@rocajunyent.com](mailto:ja.urrengoechea@rocajunyent.com)