# WEALTH TAXES UNDER REVIEW - LENER

*Posted on 25/02/2014*

**Category:** Uncategorized

## Speculation is mounting that Spain's complicated personal income tax (PIT) regime will be revamped ahead of next year's general election.

Details of the proposals remain under wraps but, according to Miguel Ángel Albaladejo Torres, Head of Tax at Lener, the system could benefit from improvement.

"We do not know what the reforms will be, but the economic and political context means that changes could help stimulate growth," he explains. "At the moment around 80 percent of PIT comes from those earning less than €50,000, so the Government needs to provide more liquidity to families to push the recovery while also maintaining its tax revenues."

At present the PIT bands range from 24.75 percent at the lower end to 52 percent at the higher end, with five different steps in between. Albaladejo Torres suggests that a three-tier system running from 15 percent to 25 percent to 40 percent would make things much simpler.

"It is important that direct taxes are reduced because the more wealth people have the more they can spend," he continues. "I would instead focus on increasing indirect taxes or create new indirect taxes – not so much VAT but on things such as green levies or extra charges on tobacco or alcohol."

Albaladejo Torres also suggests that the wealth and real estate taxes could be included in the PIT but with a lower overall tax rate, while other reliefs and reductions for entrepreneurs could encourage further investment.

“In Spain, 70 percent of the employment occurs in small and medium-sized companies so providing benefits for investors frees up more money to fund expansion and new employment opportunities,” Albaladejo Torres concludes. “This in turn brings in more revenue through taxes.”