

Income Tax for Residents – courtesy of Ciudadanos Europeos - <http://www.c-euro.org/> Published 21 April 2006

Shortly the foreign residents will be facing the question:
Am I obliged to present an Income Tax declaration (la Renta) in Spain?
When must it be done and how?
What are the taxes?

Who must make a declaration?

We have written extensively on this subject over the years. The government that took power 2 years ago has announced a tax reform that is still to come. What has been decided, are smaller adjustment in the tax tables and the deductions.

But the answer to the question of who must make the declaration, has not changed:

Basically, it is the people who have taken out a residence card in Spain, or who are staying here most of the year. But we must be more precise:

- The tax obligation does not necessarily starts from the day you apply for a resident permit. It can be that you are still in the wheels of the tax authorities of your home country, that have demanded proof that you are living abroad before they will permit you not to pay the income tax to them. Or it can be that the application for a residencia is part of a process aiming at changing your residency from your home country to Spain. And we must not forget that the declaration is for the income of the past year (the Spanish fiscal year and the calendar year correspond).
- Moreover, if you were staying for more than 6 months during the last fiscal year in Spain, even if you were only a tourist, the Spanish tax legislation (as well as the tax agreement between Spain and most countries) considers you to be what is called a “fiscal resident” and expects a declaration.
- Thirdly, it is an internationally agreed principle that no person shall be paying double taxes. But that does not mean you can choose where. The rules are explained in the tax agreements. But some countries (like Norway) demand that its citizens, moving to Spain and becoming tax residents there, shall pay taxes to both countries for 3 years (that is being refunded each year from the home country).
- If you are living only from the income of a pension, you must declare and pay only if the income is above 8.000 Euro. The deductions from gross income are few, and mostly concentrate on minor children, elderly parents and disablement. The deduction for “personal minimum” is 3.300 Euro, for persons above 65 years of age 3.900.

When to declare?

The period for declaring and paying the Income Tax (and eventually also Wealth Tax) starts for residents on the 2nd of May and last until the 30th of June. If you domicile the payment in your bank, the period ends on the 23rd of June. Remember that this year shall be declared the income you had during 2005. If you were a resident only part of the year, it is possible to make a declaration only for that part.

If you write Spanish, and do not use the services of a tax consultant, you have the right to consult the Agencia Tributaria (see in the phone book where is next office), phone them for an appointment on phone 901 12 12 24 or go into their web page under www.agenciatributaria.es

Due to the complexities of the tax legislation and the forms to be used for the declaration, most foreign residents use the services of a tax consultant. Make sure that he knows more about taxes than yourself, and that he knows the special situation of the foreign residents. Do not contact him the last day; give him time to do his work. Read well what we are mentioning here, to be able to discuss with him.

What are the taxes?

The tax rates for fiscal year 2005, that we shall declare now, were determined in the state budget (Presupuestos Generales), enacted as law 2/2004, published in the Boletín Oficial of the government on the 28th of December 2004.

As the regional government receives part of the income tax of the residents in their region, there are two tax tables. But since we believe that it is the total tax that interest our members, we shall join the two together:

Taxable income up to Euro	Fixed payment in Euro	Up to Euro	Percentage applied
0	0	4.080	15
4.080	612	9.996	24
14.076	3.011,04	12.240	28
26.316	6.438,24	19.584	37
45.900	13.684,34	further	45

The first column indicates the taxable income levels. If you have a taxable income of 5.000 Euro, you belong in the second line, and the next column will tell you what is your fixed tax payment (in this case 612 Euro). But that is not all, since you surpass the taxable income of 4.080 Euro, but has less than the next roof (column 3) of 9.996. You must multiply the excess of 920 Euro by the percentage mentioned in the fourth column, and you get the following: 15% tax on 920 = 138 Euro. Then you add the fixed payment and what results from the percentage on the surplus (138 plus 612) and you know that your tax will be 750 Euro.

A resident has a wealth tax obligation only when his worldwide assets surpass 150.000 Euro. Remember that the persons mentioned as owners may divide the declared wealth in an escritura. The wealth tax starts at 0.20%.