

## Spanish impatriation regime ("Inbound expatriates")

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The aim of this Informative Note is to provide with a general overview of the tax issues related to the Spanish impatriation regime.

Spanish PIT Law contains a regime for persons which moves to Spain for labor reasons (e.g., personnel assigned to Spain) to work for a company or entity resident in Spain or for a permanent establishment located in Spain of an entity not resident for tax purposes in Spain. This Regime for inbound expatriates allows individuals who become tax resident in Spain as a result of their move or assignment to Spain to opt to be taxed under non-resident income tax rules during the tax period in which their tax residence changes and for the next five tax periods, provided that they fulfill the requirements necessary to apply this regime, which are the following:

- (i) The inbound expatriate must not have been resident in Spain during the 10 years preceding his or her movement or assignment to Spain.
- (ii) The movement to Spain must be due to an employment contract or as a consequence of being appointed manager/director of a Spanish company.
- (iii) The salary income cannot be regarded as obtained through a permanent establishment established in Spain.

Among others, the main advantage of this Regime for inbound expatriates would be that under the non-resident income tax rules option, eligible people are only taxed on the income (salary, dividends, interest, rentals,...) and/or gains that are deemed to have been obtained in the Spanish territory, at a standard rate of 24% and this same tax rate would be applied to settle the Withholding Tax.

In particular, this tax rate (24%) will be applied to the first € 600,000 of the salary income obtained by the inbound expatriate (which is significantly lower than marginal tax rates for residents in Spain for tax purposes which can amount to near 47%). The rest amount of the salary income will be subject to tax at 45% tax rate.

Furthermore, net assets of the inbound employee not located in Spain are not subject to Spanish Wealth Net Tax, irrespective of the Regional tax benefits which can be applicable (e.g., Region of Madrid is currently free of Wealth Net Tax payment).

Formal obligations need to be fulfilled to apply for this regime.

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