

Council of Ministers

The Government approved a Royal Decree-Law on urgent measures to reduce the tax burden borne by Personal Income Tax (PIT) payers and other measures of an economic nature.

Moncloa Palace, Madrid, Friday 10 July 2015

The Council of Ministers approved a Royal Decree-Law on urgent measures to reduce the tax burden borne by Personal Income Tax (PIT) payers and other measures of an economic nature. This will thus officially bring forward the PIT reduction scheduled for 2016. This reduction is in addition to the earlier reduction that came into force in January this year.

The Vice-President of the Government highlighted that it has been possible to bring this forward because "the progress of the economy and tax revenues has been better than expected", and because this will help lead to further growth and job creation. She also recalled that withholdings will once again drop for some 20 million citizens and their families. "Taxpayers will see the effects of this reduction in their August salary and some of them even in July".

In turn, the Minister for the Treasury and the Public Administration Services added that the PIT reduction can be brought forward due to the improvement in tax revenues to May which, in national accounting terms, has grown by 7.4%. In particular, direct revenue associated with PIT and Corporate Income Tax has grown by 8.3%.

Cristóbal Montoro highlighted that this injection of liquidity of 1.5 billion euros will give an even greater boost to economic growth and will generate positive effects in consumption and job creation. In his opinion, a fairer tax system will be created, with greater reductions for those on medium and low incomes, more social benefits for families with children and people with disabilities.

Rates and withholdings

A transitional rate will be set for the year as a whole ranging from 19.5% to 46%. As from 2016, a final rate will be set of between 19% and 45%. The final average reduction from the reform will be 12.5%. 1.6 million taxpayers will stop paying PIT. Of these, some 750,000 taxpayers with annual salaries of less than 12,000 euros will not even be subject to withholdings.

On another note, withholdings for the self-employed will be reduced from 19% at present to 15%, regardless of their level of income. This measure will benefit almost 800,000 professionals, who will see their liquidity increase over the rest of the year by 263 euros on average.

Tax on savings will benefit from an additional PIT reduction from this month. In this case, a sole transitional rate will also be applied, with effects from January to December 2015.

The Royal Decree-Law also contains other tax measures such as limiting the possibility of attachment orders on certain public subsidies granted to groups at risk of social exclusion. Moreover, subsidies granted by regional governments and local authorities to attend to citizens in emergency situations, at risk of social exclusion or to attend to food and schooling requirements will be exempt from taxation. Subsidies and assistance to victims of gender-based violence and those granted to adapt multi-user aerials for Digital Terrestrial Television will also be exempt from taxation.