

Second chance

The Council of Ministers has approved the 'Royal Decree Law on second chance mechanisms and the reduction in the financial burden, and other measures of a social order'.

The text seeks, on the one hand, to help normalise the situation of those who have fallen into excessive debt. For the first time, a specific system is established to resolve the insolvency of individuals, through "mechanisms to help individuals and families overcome their indebtedness as quickly as possible and thus start again", commented Soraya Sáenz de Santamaría.

The Minister for Economic Affairs and Competition, Luis de Guindos, argued that "this process, which in the last instance, is to write off the debt, is possible because the situation of the Spanish financial system has changed and provisions for loans are now much greater".

Firstly, out-of-court payment agreements are extended and made more flexible, as is the possibility of making arrangements with creditors so that it becomes faster and simpler to restructure debts. In addition to business owners and companies, this route can also be taken by individuals. "During the time in which the negotiation of these extra-judicial agreements takes place, enforcement proceedings on assets necessary to carry on the business activity, including primary residences, are suspended", pointed out the minister.

A judicial re-structuring mechanism is also established that will allow individuals, whether entrepreneurs or not, to be released from outstanding debts by employing assets they own at the time an agreement is reached, with the intervention of a judge, provided that certain requirements are met. Moreover, prescription periods for personal debts are reduced from 15 to 5 years.

The aim is "to reconcile the interests of creditors and debtors", declared Luis de Guindos, maintaining a culture of payment whilst also taking into account that on many occasions "excessive debt led debtors to become stigmatised".

Another raft of measures under this new legislation relates to the Code of Best Practices for mortgage debtors which, according to the data provided by Luis de Guindos, has already resulted in 12,000 debt re-structurings, 3,500 dations in payment and the paralysation of the seizure of more than 12,000 properties.

The new criteria will now be made more flexible for accessing these properties and cases of particular vulnerability will be extended to include those over the age of 60. The minister estimated that the number of beneficiaries will thus virtually double. The new legislation removes 'floor clauses' on mortgages for debtors below the new threshold established in the Code and extends the moratorium on evictions from primary residences of the most vulnerable groups until 2017.

Employment and tax measures

On another note, the Decree Law includes various initiatives on employment issues announced by Mariano Rajoy in the Debate on the State of the Nation.

New permanent employment contracts will enjoy a reduction in National Insurance contributions. The first 500 euros of salary will be exempt and, in excess of this amount, a sliding scale will be applied, thus leading to greater savings for those on the lowest salaries. The Vice-President of the Government commented that under this new measure there will be a progressive reduction in the labour cost of social contributions and this discount will also be compatible with the discount included under the programme for the labour reinsertion of the long-term unemployed.

In order to reconcile home and work life, a new subsidy will be established for independent contractors that need to reduce their working day in order to care for children under the age of seven or for family members under their charge in a situation of dependence. For a period of one year, they will enjoy a 100% discount in

National Insurance contributions for common contingencies if they hire a worker to maintain their economic activity. Soraya Sáenz de Santamaría quoted the figure of a 3,000-euro saving for each independent contractor.

At a labour level, the new legislation reduces from 35 to 20 the number of days worked necessary to be eligible to receive a farming subsidy. The Vice-President of the Government justified the measures due to the low production of the olive campaign last year. Moreover, she specified that the measure will be applied in Andalusia and Extremadura to those workers who had paid 20 actual days contributions in the previous 12 months; this measure has a six-month time limit as from the entry into force of the new Decree Law. The number of beneficiaries will exceed 56,000.

The legislation also provides for measures to support families on tax issues. 'Family cheques' of 1,200 euros per annum will be extended to single-parent families with two children. Moreover, the tax break for large families and those with ascendants or descendants with a disability is extended to those cases in which taxpayers are pensioners or unemployed with an entitlement to receive benefits.

As a measure to support NGOs and other types of not-for-profit organisations, it was agreed that those entities and institutions of this nature with income below 50,000 euros will henceforth be excluded from making a Corporate Income Tax return.

<http://www.boe.es/boe/dias/2015/02/28/pdfs/BOE-A-2015-2109.pdf>