



i-paye



**Guide to Contracting in
Spain**



COUNTRY HIGHLIGHTS (2017)

Spain – Individual

Currency	Euro (€)
Tax Year	Starts 1 January Ends 31 December
Tax Rates	Progressive Rates ranging from 19% to 48% depending upon the region of Spain the individual resides. The taxation due is reduced by taxation due on a Personal Allowance. A special regime exists that allows individuals that are tax resident and satisfy certain criteria to be taxed at the Non-Resident Tax rate of 24%.
Social Security	Employers Social Security 29.90% (Subject to a monthly cap on earnings of €3,751.20) Employees Social Security 6.35% (Subject to a monthly cap on earnings of €3,751.20)

Tax Residency

An individual becomes Tax Resident in Spain if

- They spend more than 183 days in a calendar year; or
- If the centre of their vital interests is located in Spain, such as family.

An individual who is Tax Resident is taxable on Worldwide Income except if exempt under a double taxation treaty.

An individual who is not Tax Resident is taxable in Spain on Income earned or generated in Spain.

Social Security

Social Security is payable in Spain unless the individual is paying Social Security in the country in which their employer is based and they are habitually resident. A certificate of continuing liability to Social Security is required to exempt the individual from Spanish Social Security.

Right to Work

EU and EEA Nationals have an unfettered right to work in Spain without the need to hold a VISA or Work Permit. However, they must go to a Police station and register in the Central Registry for Foreigners if they intend to stay more than 3 months within the first 3 months of their stay.

Other Nationals, generally, need to have the relevant approval to work prior to their arrival in Spain and cannot work pending the approval being issued by the relevant authority.

I-PAYE Service

I-PAYE is registered as an employer in Spain and all individuals are engaged on contracts of employment.

All income is reported to the Spanish Tax Authorities, with deduction for expenses allowed under Spanish Law. Any expenses that are reimbursed that are not allowed or are above published rates will be subject to Spanish Taxation and Social Security at the appropriate rates.

I-PAYE will provide UK Nationals that habitually reside in the UK. I-PAYE will not normally seek to employ Spanish or other European Nationals to assignments based in Spain.

As an employee of I-PAYE then you simply would register as working in Spain and the rest is down to us.

Frequently Asked Questions

Q. I currently work on a project in the United Kingdom through a PSC and have an assignment in Spain, is it true that I can operate the same model in Spain?

A. Under Spanish Domestic Law a UK PSC may be considered as having a Permanent Establishment in Spain, which means that all income derived by the business will be subject to Spanish Taxation. No matter the taxation position of the company any employment income paid in respect of duties performed in Spain will be subject to Spanish Taxation and Social Security from day 1.

In addition any dividends payable to shareholders will be subject to Spanish Dividend Taxation either at resident or non-resident rates.

Q. What happens if I choose to ignore the rules?

A. Spain as with all European Countries may seek to apply the Mutual Assistance Recovery Directive (MARD) to request the UK and other Tax Authorities to collect any unpaid moneys due.

From 1 October 2017 new legislation has been enacted in the United Kingdom that means that any entity engaging in or with business that evades taxation in a Foreign Country will be subject to an unlimited fine. Failing to report income to the Spanish Authorities is Tax Evasion, not avoidance, and under Spanish Law would generally lead to a criminal conviction.

Q. I want to do it correctly where should I seek advice?

A. Unfortunately, the Spanish Tax Office only provide advice in Spanish and many of the general advice given on other websites is out of date. Specialist advice should be sought before going on assignment.

More information is available from I-PAYE on 0151 449 3500



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