

Government Considering Cap on 'Beckham Law'

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Spain's so-called impatriate tax regime, also known as the "Beckham Law,"¹ may be amended on January 1, 2010, to exclude individuals with employment income of more than €600,000 per year, despite pressure from the Spanish soccer lobby, which has undoubtedly benefited the most from it.

The parliament still has to discuss the proposed amendment, but it will probably be approved, as the political parties involved have enough parliamentary votes to pass it.

Currently, under this special tax regime, nonresident individuals who move their tax residence to Spain because of an employment contract and become Spanish tax residents can opt to be taxed as nonresident taxpayers. Under that option, employment income is taxed at

a flat rate of 24 percent instead of a progressive rate of up to 43 percent during the tax year in which the individual becomes tax-resident in Spain and for the following five years. Capital gains and interest is taxed at a flat rate of 18 percent.

To apply for this regime, individuals must not have been tax-resident in Spain during the previous 10 years. They must work for a company resident in Spain or for a Spanish permanent establishment of a nonresident business, effectively carrying out at least 85 percent (70 percent in some cases) of that work in Spain.

Under the amendment, employees expecting employment income of over €600,000 per year would be taxed under the general rules on personal income tax.

If the proposed amendment is approved, it will take effect on January 1, 2010. However, based on the principle of legal certainty, employees benefiting from the current regime cannot be deprived of its benefits, meaning that the amendment would not affect taxpayers with employment agreements signed before January 1, 2010. ◆

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¹This regime is referred to as the "Beckham Law" because soccer player David Beckham was one of the first individuals to apply it.