



**BECKHAM LAW: TAX BENEFITS FOR  
IMMIGRATION TO SPAIN**

1. Special Regime known as Beckham law
2. Who can apply for the Beckham law?
3. Differences between the standard tax regime and Special Regime (Beckham Law)
4. Case Study: How we use the Special Regime to optimize the taxation of foreign individual who wants to move to Spain.
5. Steps to be followed when transferring tax residency
6. Conclusions

## 1. Special Regime known as Beckham's law

- **Real name:** Special Regime for Displaced Workers (Expats' Regime)
- **Nickname:** The Beckham Law
- **Purpose of the Expats Regimen:** the purpose was **stimulating the Spanish economy, trying to attract talented executives and all kinds of highly qualified professionals to Spain.**
- **How?:** the law allows non-residents who acquired tax residence in Spain as a consequence of a employment offer or to become director in a Spanish company, to continue paying taxes under the non-resident income tax (IRNR) and non-resident wealth tax, in the tax period in which the change of **residence** takes place and the following five tax years. In addition, the qualifying individual do not be obliged to inform about their asset located outside Spain.
- Thus, this tax incentive mainly benefits those taxpayers with higher incomes.
- **At the beginning this special tax regimen was applied by important football payers, being David Beckham one of the first who took the advantage of this tax regime.**

## 2. Who can apply for the Beckham`s law?

Individuals that meet with the following conditions:

- That they have not resided in Spain during the ten **tax periods** prior to the one in which they are **moving** into Spanish territory.
- That the displacement to Spanish territory occurs as a result of **any of the following circumstances**:
  - **As a result of an employment contract.** This condition shall be considered fulfilled when an employment relationship with an employer in Spain begins, or when the displacement is ordered by the foreign employer and there is a letter of displacement from it.
  - **As a result of being appointed as director of an entity in whose capital does not participate with more than a 25%.**
- That does not obtain income that would be qualified as obtained through a permanent establishment located in Spanish territory: i.e. do not develop business activities.

### 3. What are the differences between the standard tax regime and Special Regime for Displaced Workers (Beckham's Law)?

#### Standard tax regime

- **Personal Income Tax :**
  - **Taxable amount:** worldwide income.
  - **Tax rate:**
    - **General rate:** marginal rate between 19% and 48%
    - **Dividends, interest and capital gains:** marginal rate between 19% and 23%.

- **Wealth Tax:**
  - **Taxable amount:** worldwide asset
  - **Tax rate:** 0%-2,5%

- **720 Form** Obligation to inform to the Tax Authorities the asset located abroad owned by Spanish tax residents, every year.

#### Beckham Law /Special regime

- **Personal Income Tax :**
  - **Taxable amount:** Spanish income, and worldwide Salary.
  - **Tax rate:**
    - **General rate:** 24% for the first EUR 600,000 and 45% for income exceeding EUR 600,000
    - **Dividends, interest and capital gains** 19%.

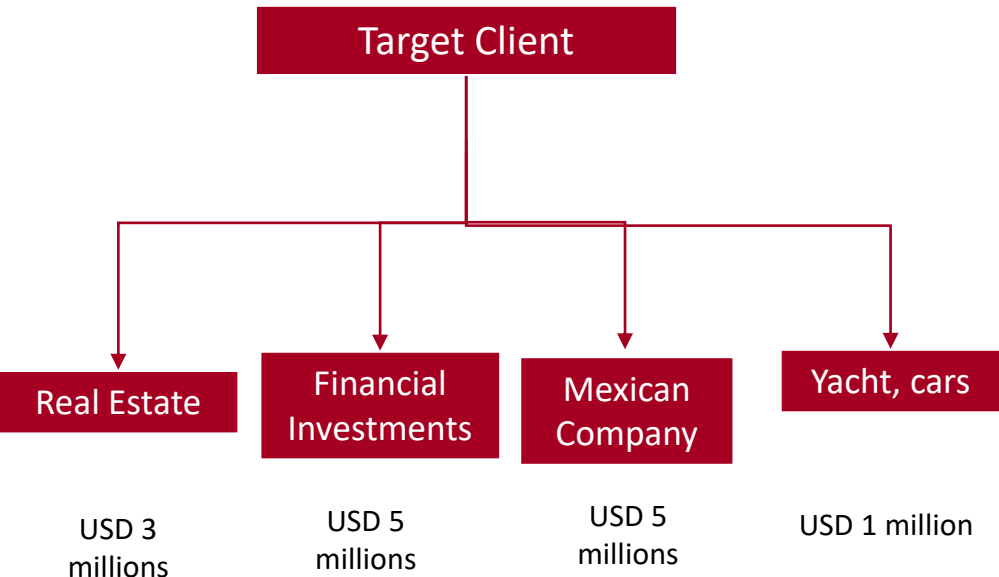
- **Wealth Tax:**
  - **Taxable amount:** asset located in Spain
  - **Tax rate:** 0%-2,5%

- **720 Form:** N/A

## 4. Case Study: How we use the Special Regime to optimize the taxation of foreign individual who wants to move to Spain.

- In the last years we have help individuals who wanted to move their residence to Spain by applying this Special Tax Regime.
- The target clients are individuals with a participation in a family business Company, lower than 25%, not residents in Spain, with the following characteristics:
  - ❑ Having substantial assets and income of more than EUR 300,000 / year, located (the asset) and obtained (the income) outside Spain.
  - ❑ They have the desire to move to live in a country like Spain, in which there is a great quality of life, security, with health care and cultural offer (shows, museums, etc.), the best gastronomy, excellent schools, universities and business school
  - ❑ Planning to run the company or a specifically department of the Family Company from Spain, or just, to expand the business activity in an international level being important to analyze the Spanish market, etc..
  - ❑ They seek to protect their wealth at the time of beginning to plan future successions.

# 4. Case Study: How we use the Special Regime to optimize the taxation of foreign individual who wants to move to Spain.



☐ Asset: 14 millions

☐ Income:

- ✓ 3% of the Financial Investments (5 millions USD): 150.000 USD/year
- ✓ Dividends derived from the Mexican Company : 200.000 USD/year
- ✓ Salary: 100.000 USD/year

## Taxation under the Standard Regime

Taxes	Tax quota (USD)
PIT	110.500,00
Wealth Tax	269.000,00
<b>Annual Taxation</b>	<b>379.500,00</b>

720 Form	Applicable
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## Taxation under Special Regime

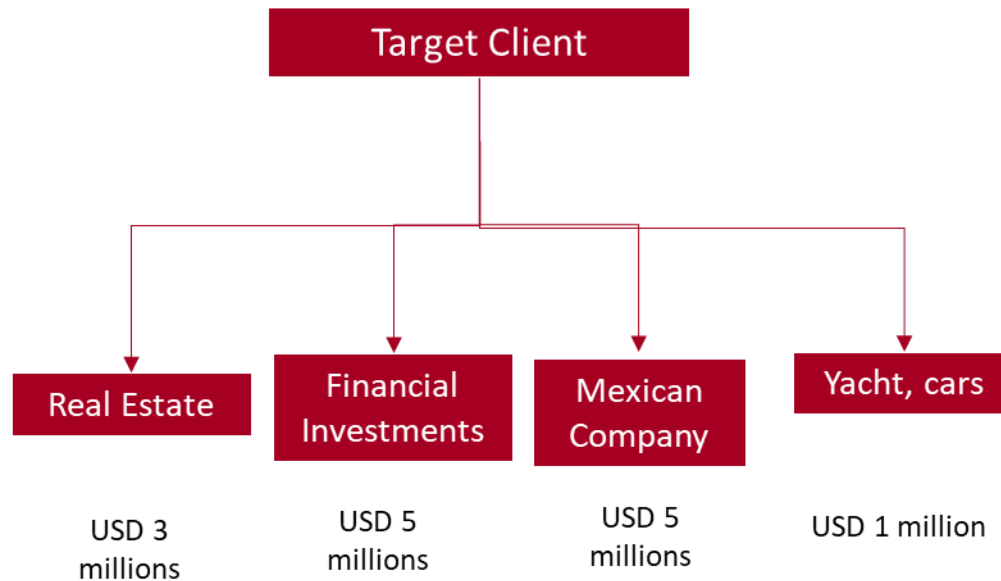
Taxes	Tax quota (USD)
PIT	24.000,00
Wealth Tax	-
<b>Annual Taxation</b>	<b>24.000,00</b>

<b>Annual Savings</b>	<b>355.500,00</b>
<b>Savings in 6 years</b>	<b>2.133.000,00</b>

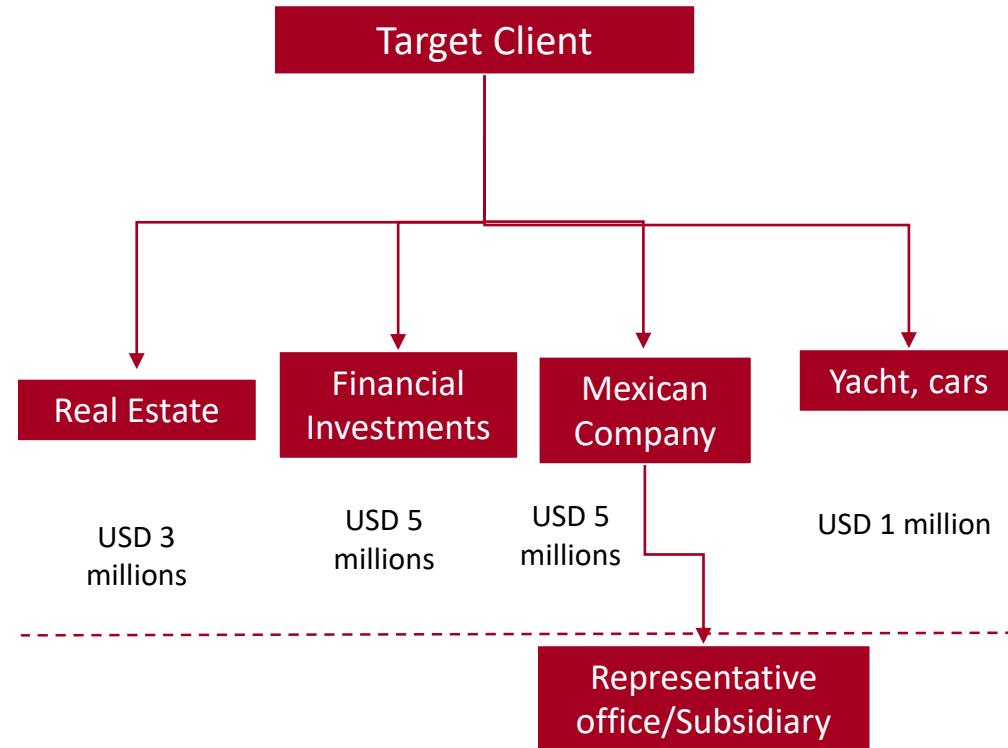
720 Form	No Applicable
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## 5. Steps to be followed when transferring tax residency

### Initial Situation



### Final Situation



Please note that, the cost to incorporate this structure ( between EUR 100,000 and EUR120,000, including the salary of the employee), is only worth it if the target client earns more than USD 300,000 outside Spain.



## 5. Steps to be followed when transferring tax residency

### **Step 1: Relocation letter**

The Mexican Company will offer the Target Client a Relocation letter to develop the international expansion of the company in Spain.

### **Step 2: Incorporation of a Representative Office**

The Mexican Company will incorporate a Spanish Representative Office (or a Spanish Subsidiary), hereinafter, “The RO”).

### **Step 3: Formalize the employment contract and registration on the Social Security System**

Once the RO has been duly incorporated, it will formalize an employment contract with the Target Client and will register the employee (Target Client) into the Social Security System.

### **Step 4.- Application for the Special Tax Regime**

Within of the 6 months following registration in the Social Security System, the Target Client must inform the Tax Authorities his/her option to apply for this Special Regime.

### **Step 5.- Long-term fiscal planning**

In co-operation with the family’s Mexican tax advisors, Mavens will design the tax strategy to optimize taxation once the time limit for the application of the Special Regime has elapsed (6 years).

## 6. Conclusions

1. The purpose of the Special Regime known as Beckham law is **to attract talented executives and all kinds of highly qualified professionals to Spain.**
2. Individuals who applies Beckham Law - although they spent more than 183 days in Spain and will be deemed as resident in Spain- nevertheless: (i) they are able to pay PIT and Wealth tax as if they were non-resident in Spain, (with the exception of Salary income that is taxable on a worldwide basis) ; and (ii) they are not obliged to inform about their asset located outside Spain, during 6 years.
3. The qualifying taxpayers who can apply for this special tax regime are individual that has not been residents in Spain in the last ten years, who come to Spain as a consequence of an employer offer or in order to become a director of a Spanish company in which the employee or director does not hold more than 25%.
4. Study Case: tax saving can be amounted to more than 2 millions dollars in 6 years
5. The target client can incorporate a Spanish RO or subsidiary in Spain in order to apply for this tax regime.

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