GLOBAL OPPORTUNITIES
SPAIN

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SPAIN (INDIVIDUALS)

Brief overview of residence rules

An individual is considered to be Spanish tax resident if they meet <u>one</u> of the following criteria:

A. **Residing more than 183 days** in any calendar year. Short absences are ignored unless the individual is able to prove tax residence in another country; or

B. **Centre of vital interests**, i.e. their financial interests, or business or professional activities, are closer to Spain than to any other country.

<u>*Assumption:</u>

According to Spanish domestic law, it is assumed that an individual is Spanish tax resident when their spouse or any children under age live regularly in Spain, i.e. when the centre of their vital interests is located in Spain.
This assumption can only be avoided if the individual is able to obtain a tax residency certificate in another country under a double tax treaty with Spain

SPAIN (INDIVIDUALS)

Opportunities for non-resident individuals "Spanish window"

When arrival is in the second half of the year or the departure is in the first half of the year. POTENTIAL TAX PLANNING WITH THE "OTHER COUNTRY"

Interests, dividends and capital gains from outside Spain are not taxable in Spain.

Wealth tax only on Spanish assets.

Non-Spanish pensions received are tax free in Spain.

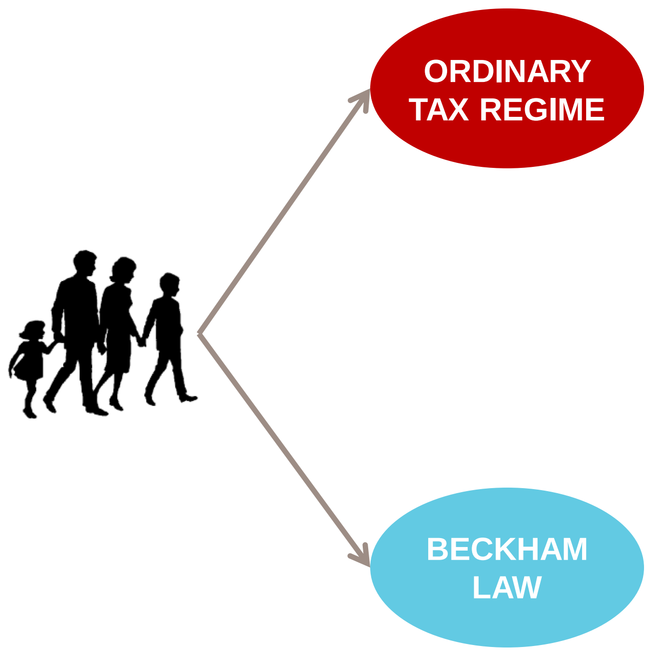
Employment income is taxable only on Spanish sources at reduced flat tax rates of:
-19% for EU residents
-24% for non-EU residents

Inheritance and Gift tax only on Spanish assets.

Tax opportunity

SPAIN (INDIVIDUALS)

Two different tax regimes once you become Spanish tax resident



- Applicable when you do not qualify for the special tax regime.
- Income tax and wealth tax on a worldwide basis.
- Progressive tax rates much higher (up to 48% depending on the region).
- Exit tax is applicable.
- Disclosure return on assets located abroad is applicable.

- Applicable when you meet the specific requirements.
- Only employment income is taxable on a worldwide basis.
- Progressive tax rates much lower.
- Wealth tax only on Spanish assets.
- Exit tax does not apply during the Beckham Law period.
- Disclosure return is not applicable.

SPAIN (INDIVIDUALS)

Headline rates of all taxes for ordinary tax resident individuals

1) **PERSONAL INCOME TAX:** depending on the region of Spain, maximum rates of 45% based on the taxable amount.

2) **EXIT TAX:** applicable if tax resident in Spain for 10 out of the last 15 years and shares are worth over EUR 4M, or 1M if the stock held is 25% or higher. If applicable, tax rates from 19% to 23% on capital gains.

3) **DISCLOSURE RETURN** (Form 720)**:** this is only an informative return. No taxes applicable though penalties for non-submission are very high.

4) **INHERITANCE AND GIFT TAX:** without proper tax planning, rates can reach 34% or higher depending on who is the beneficiary. In Madrid 99% tax relief when beneficiaries are children and/or spouse.

5) **WEALTH TAX:** individuals with worldwide wealth exceeding EUR 700,000 of net value shall pay wealth tax up to 3.5% depending on the region. Madrid has 100% tax relief and other regions like Catalonia the threshold is EUR 500,000.

SPAIN (INDIVIDUALS)

Opportunities or special regimes for qualified residents: "Beckham Law"

Interests, dividends and capital gains from outside Spain are not taxable in Spain.

Exit tax is not applicable.

Non-Spanish pensions received during the special tax regime are not taxable in Spain.

Employment income is taxable on a worldwide basis at a flat tax rate of:

-24% for the first EUR 600,000
-45% from EUR 600,000

Disclosing return (Form 720) is not applicable.

Wealth tax only on Spanish assets.

Inheritance and Gift tax on worldwide assets.

Tax planning available

SPAIN (INDIVIDUALS)

Points to consider

1) Taking into account the high taxation in Spain for ordinary tax residents, proper tax planning is strongly recommended.

2) Wealth and Inheritance tax reliefs are available for ordinary residents and Beckham Law individuals. Different structures, life insurance and other vehicles are available to reduce the tax bill.

3) Beckham Law application can only be submitted during the first 6 months with effect from social security registration in Spain. Proper tax planning is strongly advisable.

4) GOLDEN VISA (GV) offers qualified Spanish residence in return for a minimum investment of € 500,000 in a Spanish property.

   GV enables non EU-residents to obtain qualified residence permits (the right to live in Spain for the investor and immediate family) leading to permanent residence in Spain if certain conditions are met, **plus entitlement to travel** in the European area.

SPAIN (CORPORATIONS)

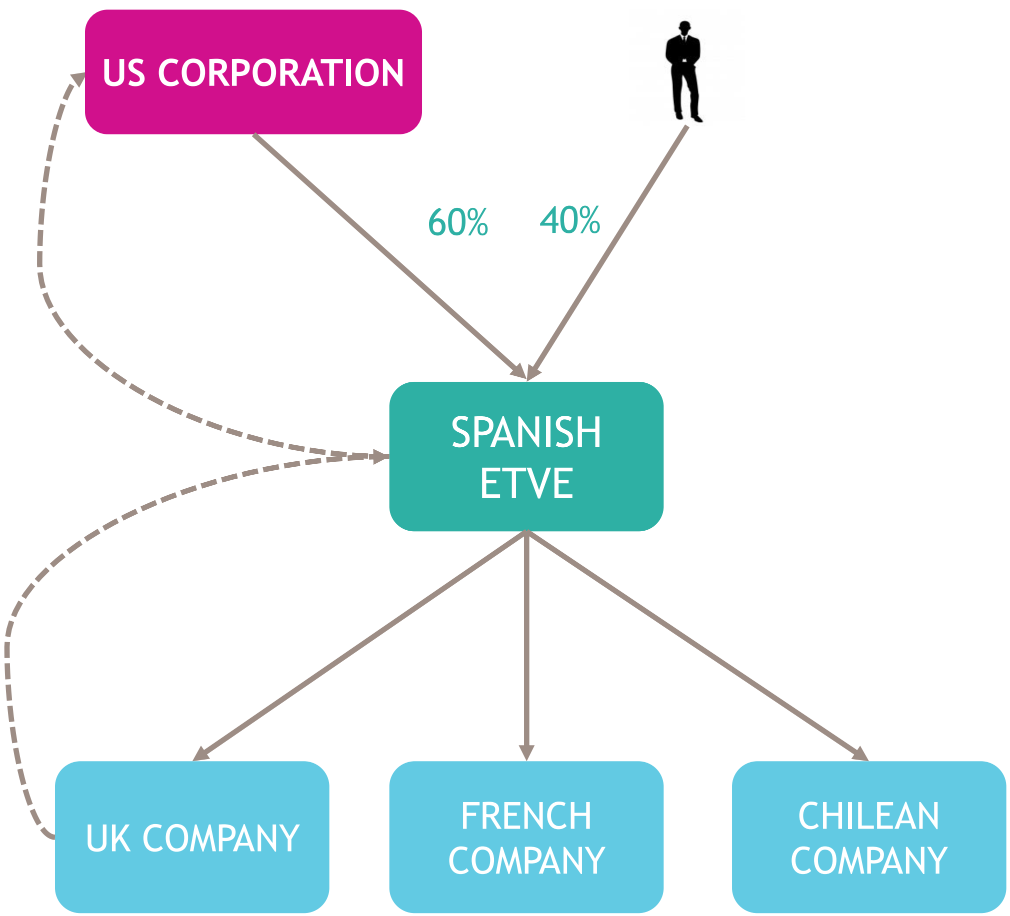
Headline business/corporate rates of tax

CORPORATE INCOME TAX

- General rate of 25%.
- Reduced rate of 15% for the first 2 years of profits if certain requirements are met.
- Reduced rate of 3.75% on income under a special regime for companies that lease housing (at least 8 properties).
- In general, dividends and capital gains coming from Spanish and non resident subsidiaries are not taxable at Spanish holding level.
- TAX GROUPING: option for the special Consolidated Tax Regime.
- Interest paid is deductible (at arm's length) if not higher than 30% of EBITDA (1 million Euros always deductible)
- TAX LOSSES may be carried forward with no time limit.

SPAIN (CORPORATIONS)

Special Regime for foreign-securities - Spanish Holding Companies **(ETVE)**



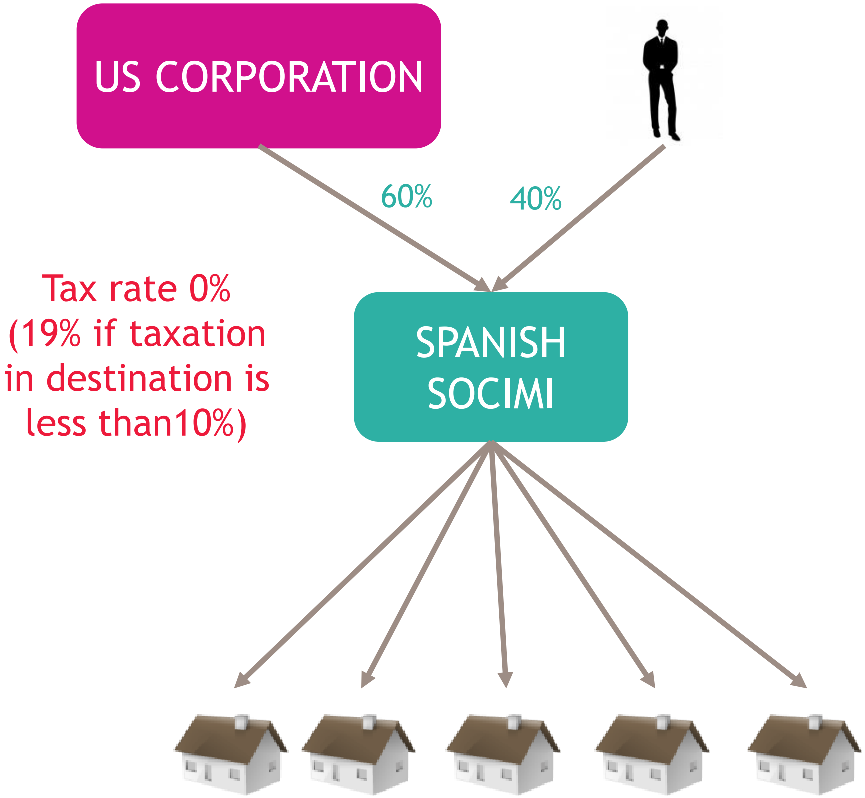
Tax benefits

- Capital gains and dividends from the ETVE to non-residents (Companies or individuals) are not taxable in Spain if coming from income generated by the non-resident companies.
- Full exemption applicable to dividends and capital gains obtained by the ETVE from its shareholding in non-resident companies.
- Requirements: active Company (may have any other activity), with at least a 5% of stake for one year prior to distribution.

SPAIN (CORPORATIONS)

Real Estate Investment Trust Regime (SOCIMI)

This regime is applicable to Companies that make investments in the real estate market for the purpose of renting the properties purchased. Tax rate is 0%.



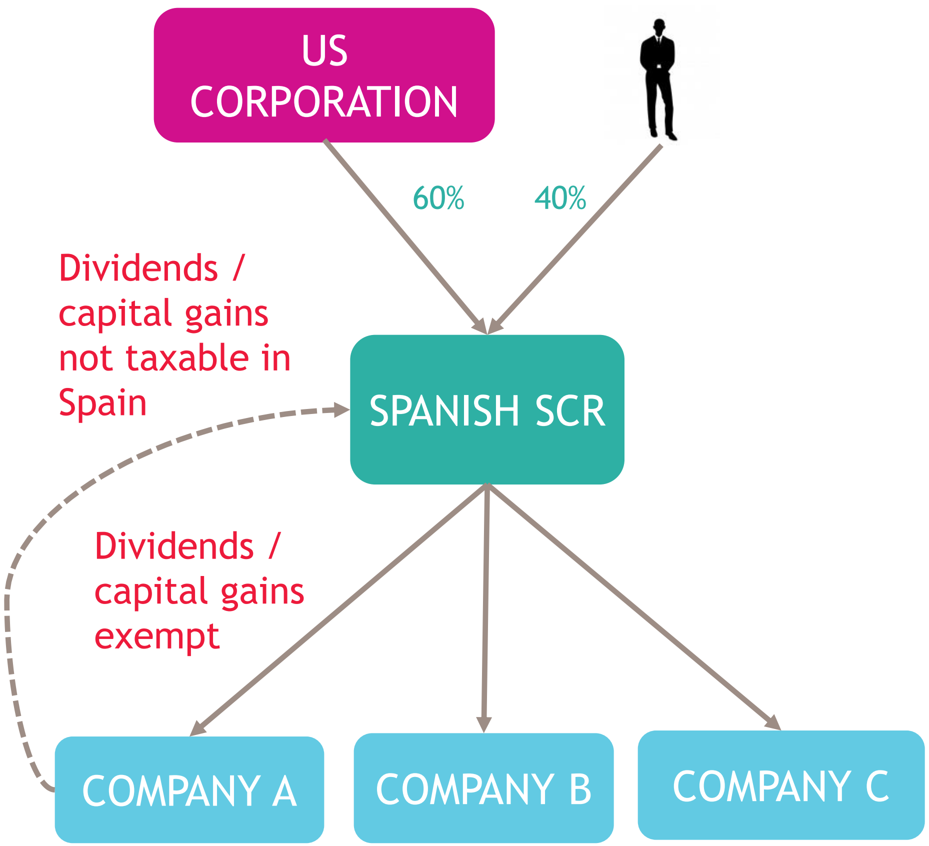
Requirements SOCIMI

- Share Capital of 5 Million Euros
- At least 80 % of total assets held by the SOCIMI must consist of urban real estate for lease.
- At least 80 % of the income (no capital gains) must come from leases to unrelated parties or dividends from other REITS.
- Assets must have a minimum holding period of 3 years.
- SOCIMI must be listed in the ESP multilateral trading market.
- SOCIMI must distribute dividends out of the profits obtained in each year.

SPAIN (CORPORATIONS)

Venture Capital Companies *(SOCIEDADES CAPITAL RIESGO: SCR)*

Vehicle for acquisition of start-up Companies or Companies with potentially large growth



Tax benefits

- Capital gains and dividends distributed to foreign investors from the SCR are not taxable in Spain.
- Capital gains coming from the sale of the subsidiaries are 99% exempt provided that (i) sale takes place after the second year and until the 15th year and (ii) shares may not be listed in the stock market for the last 3 years.
- Dividends from the subsidiaries to the SCR are exempt.
- Requirements: listed and share capital of 1.2 million Euros.