

Alert

Tax measures incorporated in the of Catalonia Budgetary Regulations Law for 2020

4th May 2020

On 30th April 2020, the Catalan Budget for 2020 was published in the DOGC, as well as the Law on fiscal, financial, administrative, and public sector measures, known as the Accompanying Law, which brings important tax modifications.

The main fiscal measures that have been approved are the following:

- **Personal income tax**

- Increase of the regional tax rates of the general scale. A new bracket is created for taxable bases exceeding 90,000 euros and the tax rates of the regional scale are increased for the highest brackets (between 2% and 1% depending on the bracket), leaving the marginal rate at 48%.
- Increase in the minimum taxable income for those with a general taxable income and savings less than or equal to 12,450€. In these cases, the minimum taxable amount will be 6,105 euros (previously it was 5,550 euros).
- It should be noted that both measures will take effect from 1st January 2020. Consequently, it will have an impact on the withholdings applied so far.

- **Inheritance and gift tax**

- Introduction of a multiplier coefficient for donations and inheritance for contributors in Kinship Group I and II based on their pre-existing assets. Previously, a multiplier coefficient was only applied to contributors belonging to kinship Groups III and IV. With the approval of the new Law, Group I and II taxpayers will have to apply a multiplier coefficient that will vary according to their pre-existing assets. The current applicable table is attached below:

Existing assets	Kinship groups		
	I and II	III	IV
From 0 to 500,000 €	1,0000	1,5882	2,0000
From 500,000, 01 € to 2,000,000 €	1,1000	1,5882	2,0000
From 2,000,000.01 € to 4,000,000 €	1,1500	1,5882	2,0000
More than 4,000,000 €	1,2000	1,5882	2,0000



- Significant reduction in the scale of allowances for contributors in kinship group II. However, the same allowances are maintained for Group I taxpayers and for spouses. The latter may continue to benefit from a 99% rebate. In other words, the main affected parties of this modification will be the ascendants and descendants over 21 years of age. Below is a table comparing the previous allowances (in red) and the current ones.

Tax base	Allowance	Remaining tax base	Marginal allowance
-	0,00%	100,000.00	(99.00%) - 60.00%
100,000.00	(99.00%) - 60.00%	100,000.00	(97.00%) - 55.00%
200,000.00	(98.00%) - 57.50%	100,000.00	(95.00%) - 50.00%
300,000.00	(97.00%) - 55.00%	200,000.00	(90.00%) - 45.00%
500,000.00	(94.20%) - 51.00%	250,000.00	(80.00%) - 40.00%
750,000.00	(89.47%) - 47.33%	250,000.00	(70.00%) - 35.00%
1,000,000.00	(84.60%) - 44.25%	500,000.00	(60.00%) - 30.00%
1,500,000.00	(76.40%) - 39.50%	500,000.00	(50.00%) - 25.00%
2,000,000.00	(69.80%) - 35.88%	500,000.00	(40.00%) - 20.00%
2,500,000.00	(63.84%) - 32.70%	500,000.00	(25.00%) - 10.00%
3,000,000.00	(57.37%) - 28.92%	from then on	(20.00%) - 0,00%

- The possibility of applying rebates to taxpayers in Kinship Group I and II is eliminated, in the case of benefiting from any of the reductions and exemptions provided for in the Law (reduction for the acquisition of goods and rights attached to an economic activity; reduction for the acquisition of holdings in entities, including those of persons with employment ties; reduction for the acquisition of certain rural properties; reduction for the acquisition of assets of the deceased used in the agricultural operation and reduction for the acquisition of assets of cultural and natural heritage). With these new rules, it will be necessary to consider whether it is more appropriate to apply a reduction or a rebate.

The only reduction that remains compatible with the application of the reduction in quota is the reduction for the acquisition of a main residence. Consequently, the new rules will particularly affect the succession of family businesses, as they do not allow the application of the reduction for family businesses to be compatible with the rebate.

- **Property Transfer and Certified Legal Documents Tax**

- Real estate companies which apply the 70% bonus and acquire a property for its later resale to an individual for its use as a home will have a term of 3 years to sell the property (previously it was 5 years). This measure will only affect sales made after the effective date of this Law.
- Reduced tax rate of 5% (previously 10%) on the purchase of the main residence for single-parent families with a family income not exceeding 30,000 euros.
- 100% allowance on the purchase of housing by public developers as beneficiaries of the right of first refusal exercised by the Catalan Housing Agency. The same allowance may also be applied to developers who purchase a non-profit home for use as subsidised housing.
- 100% allowance on the Stamp Duty quota in the earnest payment minutes.
- 60% Stamp Duty discount for the public deed of incorporation of the horizontal property regime by plots.

- **Taxable payments**

- In addition to the above-mentioned changes, most of the taxes themselves have also undergone minor changes, including the Empty Dwelling Tax, the Overnight Stay Tax, the Tax on Large Commercial Establishments, the Tax on Sugary Beverages, etc.
- Finally, the creation of a new tax called "*Tax on facilities that affect the environment*" has been approved, which will tax the production, transport, storage and transformation of electrical energy, as well as telephony transport carried out by fixed communication elements. However, the production of energy using renewable energies as the main source will not be subject to this tax.

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