



Tida / A sesores

Spanish legal framework:

FROM SELF-EMPLOYED to COMPANY

When is the best moment to become a company

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AGENDA

1. GENERAL CONTEXT. Autonomo vs Sociedad Limitada
2. IRPF. Tax Rate
3. IS (TAX COMPANY). Tax Rate
4. EXAMPLE
5. CONCLUSION

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Acronyms

Autónomo	Self-Employed
IRPF Impuesto de la Renta sobre Personas Físicas	Income of a physical person
SL Sociedad Limitada	Limited liability Company
IS Impuesto sobre Sociedades	Company Tax. Corporate Income Tax.
B° Beneficio	Benefit or Profit
CC.AA. or C.A. Comunidad/es Autónoma/s	Autonomous Communities
Sociedad Patrimonial	Asset-holding company. No activity
 Holding	Group of holding companies

General considerations

- This is generally speaking. Every particular situation must be studied.
- Only **Residents**.
- **SL** (Sociedad Limitada) - Limited Liability.
- **TAX REFORM 2015**. Prevision based on Draft Law.

Autonomo vs SL: IRPF vs IS

Autonomo

Ideal for **Small business**
(low earnings)

Less complex, cheaper

Less tax obligations

Less maintenance costs

-> Applicable tax:

IRPF

SL Sociedad Limitada

Liabilities with 3rd parties
are backed up by Company
assets (not by own assets)

-> Applicable tax:

Impuesto sobre sociedades
(Company tax)

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IRPF

Resident

- more than **183 days** in the tax year (natural year).
- a spouse or underaged child who are residents,
- main **economic center** is in Spain.

Don't confuse

- "Tax residency" \neq Residence and work permit.

Resident taxes (scales)

- Progressive scale: ***the more you earn, the more you pay.***
- **Each Autonomous Community** regulates its own maximum rate, so your maximum tax rate depends on your residence in Spain.
- **State Scale** and the **Regional Government scale.**

Catalunya

- Scales: 2014. Forecast 2015.

IRPF. Sliding scale Cataluña 2014

STATE SLIDING SCALE 2014

Taxable Base (hasta euros)	Tax payable (euros)	Rest of base (up to euros)	Tax Rate (percentage)
0	0	17.707,20	12,75
17.707,20	2.257,66	15.300,00	16
33.007,20	4.705,66	20.400,00	21,5
53.407,20	9.091,66	66.593,00	25,5
120.000,20	26.072,88	55.000,00	27,5
175.000,20	41.197,88	125.000,00	29,5
300.000,20	48.697,88	En adelante	30,5

CATALUÑA SLIDING SCALE 2014

Taxable Base (hasta euros)	Tax payable (euros)	Rest of Base (up to euros)	Tax Rate (percentage)
0	0	17.707,20	12
17.707,20	2.124,86	15.300,00	14
33.007,20	4.266,86	20.400,00	18,5
53.407,20	8.040,86	66.593,00	21,5
120.000,20	22.358,36	55.000,00	22,5
175.000,20	34.733,36	En adelante	23,5

TOTAL IRPF Cataluña Scale 2014

TARIFA TOTAL COMUNIDAD DE CATALUNYA 2014			
Taxable general Base	Amount Payable	Rest of General base	Tax Rate
(until euros)	(euros)	(until euros)	
0	0	17.707,20	24,75
17.707,20	4.382,52	15.300,00	30
33.007,20	8.972,52	20.400,00	40
53.407,20	17.132,52	66.593,00	47
120.000,20	48.431,24	55.000,00	51
175.000,20	76.481,24	125.000,00	55
300.000,20	83.981,24	Onwards	56

FORECAST IRPF SPAIN 2015

Taxable General Base (until euros)	Amount Payable (euros)	Rest of general base (until euros)	Tax rate (porcentaje)
0	0	12.450,00	20
12.450,00	2.490,00	7.750,00	25
20.200,00	4.427,50	13.800,00	31
34.000,00	8.705,50	26.000,00	39
60.000,00	18.845,50	Onwards	47

- **PROVISIONAL AVERAGE based on Draft Law. NO Definitely Tax Law.**
- **Two phases of TAX REFORM**
 - Incomes < 12.450 euros, it will go down from 24,75% to 20% in 2015; and 19% in 2016.
 - Incomes from 12.450 to 20.200 euros, 25% in 2015; and 24% in 2016.
 - Incomes from 20.200 to 35.200 euros, 31% in 2015; and 30% in 2016.
 - Incomes from 35.200 and 60.000 euros, 39% in 2015; and 37% in 2016.
 - Incomes > 60.000 euros, to 47% in 2015; and a 45% in 2016.

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Impuesto sobre Sociedades (IS) -Company Tax-

Fixed rate:

30% , 25% , 20% or 15% of BENEFIT .

REVENUES
- EXPENSES

BENEFIT x 30% , 25% , 20% or 15% .

30% will be applied for:

1. Net Sales of the Company > 10.000.000 euros.
2. Net Sales of a "Group of Holding Companies" or a familiar group of companies > 10.000.000.- euros.
3. "Asset-Holding Companies" without activity, just owners of assets (buildings, shares, ...).

TAX REFORM 2015 FORECAST : - 28% in 2015.
(No Financial Institutions) - 25% in 2016.

Asset-Holding company?

- Beneficial, if you pay > 30% IRPF.
- "Asset-Holding Company" with activity: 20%, 25%, 15%.
- When an Asset-Holding Company has an activity?
A person employed + an office to develop the activity
(Tax Reform: just a person employed).

SMALL-SIZED COMPANIES

25% will be applied for THE FIRST 300.000 euros of PROFIT:

For a company, "Group of Holding Companies" or a familiar group of companies, whose:

- Net Sales < 10.000.000 euros, and
- The company has an activity.

From 300.000 euros upwards, the tax rate applied is 30%.

TAX REFORM: - In 2015, the tax rate will be 28%.
- In 2016, the tax rate will be 25%.

SMALL-SIZED COMPANIES

20% will be applied for THE FIRST 300.000 euros of PROFIT:

For a company or a “Group of Holding Companies” or a familiar group of companies, whose:

- “Net sales” are less than 5.000.000 euros.
- Company employs less than 25 employees.
- And keep them employed (or increase) during the tax year, always referring to exercise 2008. If you create the company after 2008, you have to keep them employed during the year that you have created the company and the next one.

From 300.000 euros upwards, the tax rate will be 25%.

This reduced tax rate was approved for 2009, and it was extended to 2014. Extended for 2015? Probably **NOT**.

- Until 300.000.-€ ->	20%
- From 300.000.-€ upwards ->	25%

EXAMPLE

Company created before 2008.

	2008	2013	2014	20% in 2014?
Employees	3	4	3	Yes
Employees	4	3	4	Yes
Employees	4	2	3	No

Company created in 2010.

	2010	2011	2013	2014	20% in 2014?
Employees	3	3	4	3	Yes
Employees	4	4	3	4	Yes
Employees	4	3	2	3	No

SMALL-SIZED COMPANIES

15% will be applied for THE FIRST 300.000 euros of PROFIT:

A company (NOT for Holding nor a familiar group):

- Companies created from **1st January 2013**.
NEWS ACTIVITIES! Previously active Self-employed or Companies which have been created before, in both cases, cannot create a new one with the same business just to benefit from this 15%.
- "Time-limit": two first years from when the company has been created or from the moment that the company has Profit.

From 300.000 euros upwards, the tax rate will be 20%.

TAX REFORM: The scale disappears, so:

- Company created before 1st January 2015 -> "Profit Scale of 300.000.-€"
- Company created after 1st January 2015 -> 15% (no scales, two first years).

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EXAMPLE

2014. Income and Expenditures:

Revenues	Supuesto 1	Supuesto 2	Supuesto 3	
Professional Fees	40.000,00	60.000,00	120.000,00	
Expenditure				
Social Security (Autónomos)	-2.200,00	-2.200,00	-2.200,00	
Light	-360,61	-360,61	-360,61	
Water	-60,1	-60,1	-60,1	
Rent	-4.207,08	-4.207,08	-4.207,08	
Cleaning	-288,49	-288,49	-288,49	
Telephone	-601,01	-601,01	-601,01	
PC's repair	-510,86	-510,86	-510,86	
Office material	-150,25	-150,25	-150,25	
De-valuing	-1.069,80	-1.069,80	-1.069,80	
Total Expenditure	-9.448,20	-9.448,20	-9.448,20	
Profit/Benefit	30.551,80	50.551,80	110.551,80	

Self employed/

Small Sized Companies created before 1st January 2013

Calculated based on Scale 2014. Could change for 2015.

Bº 30.551'80	IRPF		IS*	
	TAX RATE	AMOUNT TO PAY	TAX RATE	AMOUNT PAY
He is single without children.	22,78%	6.961,02	25%	7.637,95
He's married. Two children. Wife doesn't work	16,31%	4.981,71	25%	7.637,95
He's married. Two children. Wife works.	21,21%	6.481,36	25%	7.637,95

Bº 50.551'80	IRPF		IS*	
	TAX RATE	AMOUNT TO PAY	TAX RATE	AMOUNT PAY
He is single without children.	29,11%	14.715,49	25%	12.637,95
He's married. Two children. Wife doesn't work	24,52%	12.396,18	25%	12.637,95
He's married. Two children. Wife works.	28,16%	14.235,00	25%	12.637,95

Bº 110.551'80	IRPF		IS*	
	TAX RATE	AMOUNT TO PAY	TAX RATE	AMOUNT PAY
He is single without children.	38,64%	42.715,61	25%	27.637,95
He's married. Two children. Wife doesn't work	36,33%	40.158,30	25%	27.637,95
He's married. Two children. Wife works.	38,20%	42.235,95	25%	27.637,95

Calculated based on Scale 2014. Could change for 2015.

	IRPF		IS*	
	TAX RATE	AMOUNT TO PAY	TAX RATE	AMOUNT PAY
Bº 30.551'8				
He is single without children.	22,78%	6.961,02	15%	4.582,77
He is married. Two children. Wife doesn't work	16,31%	4.981,71	15%	4.582,77
He is married. Two children. Wife works.	21,21%	6.481,36	15%	4.582,77

	IRPF		IS*	
	TAX RATE	AMOUNT TO PAY	TAX RATE	AMOUNT PAY
Bº 50.551'80				
He is single without children.	29,11%	14.715,49	15%	7.582,77
He is married. Two children. Wife doesn't work	24,52%	12.396,18	15%	7.582,77
He is married. Two children. Wife works.	28,16%	14.235,00	15%	7.582,77

	IRPF		IS*	
	TAX RATE	AMOUNT TO PAY	TAX RATE	AMOUNT PAY
Bº 110.551'80				
He is single without children.	38,64%	42.715,61	15%	16.582,77
He is married. Two children. Wife doesn't work	36,33%	40.158,30	15%	16.582,77
He is married. Two children. Wife works.	38,20%	42.235,95	15%	16.582,77

* Just for the first two years since the company has benefits from its Constitution

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GENERAL CONCLUSION

IF YOU WANT TO PROTECT YOUR ASSETS: Change to a Company. Risk Activity.

FROM A TAX POINT OF VIEW:

- When changing from self-employed to a company?
Net Profit more than 50.000.-€ (60.000.-€ from 2015) - depends on your personal situation.
- From 1st January 2013: a start company has a reduced tax rate (15%) for the first 2 years.

So, if you hadn't had the same business before (self employed or a company), it could be better to start as a company.

WHEN?

- **Net Profit is more than 30.000.-€ (40.000.-€ from 2015)**
- But this always depends on your personal situation.

But, be careful because tax laws keep changing continuously.



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Thank you!

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