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### **Spain – Social Security Rules Amended for 2014**

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Spain has modified its social security rules with the aim of supporting business activity and employment and streamlining and reinforcing the social security regime's finances. Measures enacted at the end of December 2013 concern the income base upon which social security contributions are levied and the applicable wage ceilings and rates.

#### **Why This Matters**

In light of the developments discussed in this newsletter, for some employees and their employers subject to Spanish social security tax rules, there could be noticeable effects on their social security tax liabilities.

There could also be an impact on their current remuneration plans, given that some usual items of remuneration that have traditionally not been subject to Spanish social security contributions (or only partially so) are now considered as subject, while others have been removed from the social security contributions base. Nonetheless, the net result is that the list of items that were not subject to social security has been narrowed. Depending on the structure of your employees' remuneration, this development could raise or reduce employee's social security tax burdens and your company's employment costs, as well as entail some payroll adjustments.

#### **Royal Decree-Law 16/2013 of 20 December 2013<sup>1</sup>**

This Royal Decree-Law, which entered into force on 22 December 2013, contains several measures intended to encourage stable employment and to enhance the flexibility of the labor market. Included are measures to protect and promote part-time employment.

The new rules also modify the General Social Security Law (and other regulations), by way of amending article 109, and include certain items of remuneration (in cash and in-kind) in the social security contribution base that were not previously included. The amended provisions added previously-excluded (or partially excluded) items to the social security contributions base such as: contributions to supplemental pension plans; stock awards in cases where the cost to the employee is less than market value; certain meals and accommodation expenses paid by the employer and employer-provided meal vouchers; and certain transportation and distance-related allowances.

The amendment also provides for several items that are not to be part of the computation for the social security contributions assessment. The amendment establishes that employees' travel expenses for use of public transport to move from their usual place of work to work at another location they have been assigned to will not be included in the contribution base, as long as those expenses are substantiated through corresponding invoices. Additionally, those travel expenses reimbursed to employees not included in the above-mentioned situation (for example, using non-public transport (such as one's own vehicle)), as well as payments for normal living and accommodation expenses (as defined),

will not be included either for social security contribution purposes (but are to be included in the income tax base, as specified in the regulations concerning personal income tax).

In addition to the aforementioned amounts, social security payments, temporary disability (increased) benefits paid by companies, and allowances provided by employers to support expenses incurred in respect of studies or courses taken by employees that lead to the upgrading of their skills, capacity-enhancement of their positions, or restructuring (when required by their specific functions) will also be outside of the scope of the social security contribution base.

#### **KPMG Note**

Modifications to the items of remuneration that are included in the social security contributions base could either increase the tax burden on employers and employees or decrease the burden, depending on the activity of the particular employee and the way his or her remuneration is structured. In fact, all told, the previous list of items of remuneration not subject to social security has been narrowed under the new changes – this could potentially raise taxpayers' burdens. Employers may want to consider their compensation plans in light of the new rules.

#### **Law 22/2013 of 23 December 2013<sup>2</sup> – Budget Law**

Social security contributions are determined according to rules that are statutorily established every year. Law 22/2013 published the maximum monthly and daily Social Security contribution bases approved for 2014: the monthly ceiling at EUR 3,597 and the daily ceiling at EUR 119.90 (changed from the 2013 thresholds which were EUR 3,425.70 for monthly and EUR 114.19 for daily).

The employer's and employee's social contribution rates for 2014 are as follows\*:

	<b>Employer rate</b>	<b>Employee rate</b>
General risk	23.60%	4.70%
Unemployment insurance		
-- permanent contracts	5.50%	1.55%
-- part-time/temporary contracts	6.70% (was 7.70% in 2013)	1.60%
Salary guaranteed	0.20%	--
Professional education & training	0.60%	0.10%
Over-time		
-- <i>force majeure</i>	12.0%	2.0%
-- Other	23.60%	4.70%

\* *unchanged from 2013 unless otherwise noted*

#### **Footnotes:**

1 See *Real Decreto-ley 16/2013, de 20 de diciembre, de medidas para favorecer la contratación estable y mejorar la empleabilidad de los trabajadores* (Spanish) in *Boletín Oficial del Estado*, núm. 305 de 21 de diciembre de 2013, at: [https://www.boe.es/diario\\_boe/txt.php?id=BOE-A-2013-13426](https://www.boe.es/diario_boe/txt.php?id=BOE-A-2013-13426) .

2 See *Ley 22/2013, de 23 de diciembre, de Presupuestos Generales del Estado para el año 2014* (Spanish) in *Boletín Oficial del Estado*, núm. 309 de 26 de diciembre de 2013, at [https://www.boe.es/diario\\_boe/txt.php?id=BOE-A-2013-13616](https://www.boe.es/diario_boe/txt.php?id=BOE-A-2013-13616) .

## Save the Date!

### LINKing Global Mobility and Talent Management

Please 'Save the Date' in your calendar and join us in Chicago, Illinois, USA, at KPMG's International Executive Services: Global Mobility Forum 2014. We have a fantastic line-up and look forward to seeing you in Chicago on **6-8 October 2014**.

If you have any questions, please contact your usual KPMG professional or send an e-mail to: [go-fmforum@kpmg.com](mailto:go-fmforum@kpmg.com).

The information contained in this newsletter was submitted by the KPMG International member firm in Spain. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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