

### Tax Alert

## Community of Madrid Fiscal measures for

30<sup>th</sup> May 2018

On 29 May 2018, the Governing Council of the Community of Madrid approved the draft law on tax measures for the Community of Madrid for 2018

The draft contains important measures relating to Personal Income Tax, Inheritance and Gift Tax, and Transfer Tax and Stamp Duty, which are summarized below:

#### 1. 1. Personal income tax:

<p>Deduction for birth (entered into force 1/1/2018)</p>	<ul style="list-style-type: none"> <li>• 600€ per year, for 3 years, for children born or adopted from 1/1/2018 onwards.</li> <li>• Taxpayer's income limit: 30,000€ in individual taxation or 36,200€ together, not exceeding 60.000€ per family unit.</li> </ul>
<p>Deduction for housing rental (effective 1/1/2018)</p>	<ul style="list-style-type: none"> <li>• People under 30 years of age may apply a 30% deduction on amounts used to rent their home, subject to a limit of €1,000.</li> <li>• Also, those who are not older than 40 years, provided they have been unemployed for more than 6 months and have two dependents.</li> <li>• The income received may not exceed 25,620€ in individual taxation and 36,200€ in total, and without exceeding the family unit of 60,000€.</li> </ul>
<p>Decrease in the regional scale of personal income tax (entry into force 31/12/2018)</p>	<ul style="list-style-type: none"> <li>• Reduction of the minimum rate to 9%, applicable to the taxable base not exceeding €12,450.</li> </ul>
<p>Deduction for foster care (effective 31/12/2018)</p>	<ul style="list-style-type: none"> <li>• Deduction of 1,500€ for the care of people over 65 who are not related or disabled.</li> <li>• Must be living together more than half of the year (more than 183 days) without compensation, and the disability must be greater than or equal to 33%. The taxpayer's income may not exceed €25,620 in individual taxation and €36,200 jointly, with no limit on the family unit</li> </ul>



<p>Deduction for school fees (entry into force 31/12/2018)</p>	<ul style="list-style-type: none"> <li>• 15% deduction for descendants from 0 to 3 years old, with a maximum deduction limit per descendant of €1,000 per year.</li> <li>• The taxpayer's tax base may not exceed the amount of €30,000 multiplied by the number of members of the family unit.</li> </ul>
<p>Contribution deduction for a carer of descendants under 3 years of age (effective 31/12/2018)</p>	<ul style="list-style-type: none"> <li>• Deduction of 20% of the cost of social security contributions per carer hired for descendants up to 3 years of age, with a maximum of €400 per year per family.</li> <li>• Large families: 30% deduction with a maximum of 500 euros per year.</li> <li>• Requirements: (i) at least one of the descendants cannot be enrolled in a publicly supported nursery school (public place or childcare check beneficiary), (ii) the head of the household must have been registered as an employer and have had one or more caregivers hired and contributing for at least 40 hours per month, and (iii) the parent or parents must have worked each of them for at least 183 days during the year in which the deduction applies.</li> <li>• Income limit of 30,000 euros per capita.</li> </ul>
<p>Deduction for contributions to the share capital of the social economy (effective 31/12/2018)</p>	<ul style="list-style-type: none"> <li>• 50% deduction, with a maximum of €12,000 per year, for contributions to the share capital of cooperatives and worker-owned companies.</li> </ul>
<p>Deduction for donations to Foundations (effective 31/12/2018)</p>	<ul style="list-style-type: none"> <li>• Deduction of 15% of the amounts donated to foundations registered in the Registry of Foundations of the Community of Madrid.</li> <li>• The basis of the deduction may not exceed 10% of the taxable amount</li> </ul>
<p>Deduction for investment in the acquisition of shares and holdings (effective 31/12/2018)</p>	<ul style="list-style-type: none"> <li>• Deduction of 30% of the investment in shares and equity in newly created companies, but not exceeding €6,000 per year.</li> <li>• In the case of entities in which universities or research centres have a stake, the deduction may be up to 50%, but may not exceed €12,000 per year.</li> </ul>

## 2. Inheritance and gift tax (Effective 1/1/2019)

- A new bonus is established for both inter vivos and mortis causa acquisitions for transfers between 2nd and 3rd degree consanguineous collateral (siblings, uncles and nephews) of 15% and 10% respectively.
- Limit of application: When the taxable person himself requests or applies it when submitting his self-assessment or return.

## 3. Transfer tax and stamp duty (Entry into force 1/1/2019)

Onerous Asset Transfers
Two new bonuses on the rate: <ul style="list-style-type: none"><li>• 10% for the purchase of a habitual residence by individuals, provided that the value of the property does not exceed €250,000.</li><li>• 100% for the acquisition of movable and semi-movable property (except vehicles and property acquired by entrepreneurs or professionals in the exercise of their activity) of less than €500 of real value acquired by individuals.</li></ul>
The obligation to self-assess the tax is excluded if the allowance for personal property and goods for sale is paid.

Documented Legal Documents
Two new bonuses on the rate: <ul style="list-style-type: none"><li>• 10% for the formalisation of public documents relating to the purchase of a habitual residence by individuals, provided that the value of the property does not exceed €250,000.</li><li>• 95% or the formalization of public documents relating to the acquisition of a habitual residence by members of large families, without limits as to the value of the property.</li></ul>
If 12 months have elapsed since the purchase of the dwelling without it being inhabited, or if it has not been inhabited for a continuous minimum period of 3 years, the purchaser must present an additional self-assessment applying the general tax rate.

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