



AUGUSTAABOGADOS

NEWSLETTER

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IDEAS FOR OPTIMISING PERSONAL INCOME TAX (PIT) FOR FY 2024

The Tax Department at Augusta Abogados would like to share some ideas to help optimise your taxation on PIT.

Offsetting Capital Gains with Losses

Capital gains from the transfer of any type of asset would be included in the savings tax base and taxed at rates ranging from 19% to 28%. However, capital gains can be offset against capital losses incurred during the year. Additionally, the PIT Act allows offsetting with negative balances pending from the previous four years, provided they are derived from transfers generating positive capital gains.

If capital losses exceed capital gains, 25% of the surplus may be offset against income from movable capital (dividends, interest, etc.).

Benefits for Taxpayers Aged 65 and Over

Taxpayers approaching 65 years but not having reached that age by 31 December 2024 may consider deferring such transactions until the tax benefit applies:

- Taxpayers aged 65 and over can exclude from taxation capital gains derived from the transfer of assets (real estate other than their primary residence, shares, rights, etc.), provided that the total or partial amount obtained from

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the transfer is reinvested within six months into an annuity with a limit of €240,000.

- Taxpayers aged 65 and over who sell their primary residence (defined as a property in which the taxpayer has resided for at least three years) are exempt from PIT on the capital gain obtained.

Contributions to Pension Plans

Contributions made to pension plans, employer-provided social welfare schemes, insured welfare plans, mutual benefit societies, and premiums for private insurance exclusively covering severe or major dependency risks can reduce the tax base. The maximum reduction is the lesser of the following:

- €1,500
- 30% of the sum of employment and business income received during the year

This limit may increase:

1. Up to 8,500 euros, provided that the increase comes from company contributions, or from contributions by the worker to the same social welfare instrument (same pension plan, company social welfare plan, mutual social welfare fund, etc.) to which the company contributions have been made, for an amount equal to or less than the amounts resulting from the following table, depending on the annual amount of the company contribution:



Annual amount of the contribution	Maximum employee contribution
Equal to or less than 500 euros	The result of multiplying the employer's contribution by 2.5
Between 500.01 and 1,500 euros	1,250 euros, plus the result of multiplying by 0.25 the difference between the employer's contribution and 500 euros.
More than 1,500 euros	The result of multiplying the employer's contribution by 1

In any case, multiplier 1 shall be applied when the worker obtains in the financial year full income from work of more than 60,000 euros from the company making the contribution.

The amounts contributed by the company deriving from a decision by the worker shall be considered as contributions by the worker.

2. By 4,250 euros, provided that the increase comes from:

- Contributions to sectoral pension plans made by self-employed or self-employed workers who join such plans by reason of their activity.
- Contributions to simplified employment pension plans for self-employed or self-employed workers.
- Own contributions made by the individual entrepreneur or professional to employment pension plans, of which he is a promoter and also a participant, or to Mutual Social Welfare Funds of which he is a member, as well



as those made to company social welfare plans or collective dependency insurance of which he is both a policyholder and insured.

Likewise, it is possible to reduce in the General PIT Base the contributions made to the spouse's social welfare systems up to a maximum limit of 1,000 euros per year. This reduction would only be applicable when the spouse's net income from work or economic activities is less than 8,000 euros per year.

The PIT Base may also be reduced for contributions made to pension plans in favour of individuals with a physical disability equal to or greater than 65%, or a mental disability equal to or greater than 33%, with a maximum limit of 10,000 euros per year. The person making the contribution must be a relative or guardian of the disabled person. However, if the disabled person makes these contributions, the reduction may not exceed 24,250 euros.

Exemption for Work Performed Abroad

Income from employment for work performed abroad is exempt from PIT, up to a maximum of €60,100 annually, provided the following conditions are met:

1. The work is performed for a company or entity not resident in Spain, or for a permanent establishment located abroad.
2. The territory where the work is performed applies a tax of a nature similar to Spain's PIT and it is not classified as a tax haven.

For the calculation of the remuneration corresponding to work carried out abroad, the days that the worker has actually been abroad must be taken into consideration, as well as the specific remuneration corresponding to the services rendered abroad, including the income from work received that corresponds to the days spent travelling to the country of destination or returning to Spain.



Premiums Paid for Dependency Insurance

Taxpayers and their relatives (up to the third degree) who pay premiums for private insurance covering severe or major dependency risks can reduce their taxable income by up to €2,000 annually.

Exemption for Reinvestment of Proceeds from the Primary Residence

The capital gain obtained from selling the primary residence may be exempt if reinvested in purchasing another primary residence within two years before or after the sale. A property qualifies as a primary residence if the taxpayer has lived in it for a continuous period of three years.

Partial Exemption of Gains from the Sale of Certain Real Estate

Capital gains from the sale of real estate purchased between 12th May 2012 and 31 December 2012 may be 50% exempt.

Pension Plan Withdrawals

When withdrawing from a pension plan, the amount is taxed as employment income under the general PIT base, at the marginal tax rate. Therefore, it is more advantageous to withdraw the pension fund in a year with low income from employment, business, or real estate activities.

Taxpayers with Real Estate Income

Taxpayers who have rented property must declare the income obtained and pay tax on it as income from real estate capital. However, some expenses can be deducted from the income obtained (including amounts paid for interest and financing costs, community charges if paid by the landlord, maintenance costs,



depreciation of the property, IBI, rubbish charges, doubtful balances and other professional service charges). Expenses for repairs to the property can also be deducted.

The PIT Law establishes a tax incentive for the rental of property used as the tenant's main residence. Until now, in these cases, the landlord could apply a 60% reduction on the net rent paid by the tenant (income minus expenses), which means that only 40% of the net rent was effectively taxed. This reduction only applies if the taxpayer has voluntarily included the benefit in his income tax return and when it is a permanent rental of housing and does not apply to holiday rentals.

It is important to mention that, as of 1st January 2024, this general reduction of 60% becomes 50%, with certain modalities of reduction (50%, 70% and 90%) in certain circumstances such as homes located in areas with a stressed residential market or homes that have been refurbished. However, a transitional regime is established that will allow the 60% reduction to be applied to rental contracts concluded before 1st January 2024.

Deduction for Investment in Start-Ups

Taxpayers may deduct from their PIT 50% of the amounts paid for the acquisition of shares in newly created or recently created companies that meet certain requirements (the shareholding does not exceed 40% of the capital of the entity, ...). This benefit has a maximum deduction base of 100,000 euros per year, with a maximum deduction amount of 50,000 euros. The shares must be acquired when the company is incorporated or by means of a capital increase, within 5 years from the incorporation of the entity (7 years in the case of start-ups).

This deduction is not compatible if the deduction for newly created companies of an autonomous community is used for the same amount paid, unless the investment exceeds the limits established in the state deduction.



Exemption for reinvestment in the case of transfer of shares in newly or recently created companies

Subject to certain limitations, the PIT Law establishes an exemption for reinvestment of capital gains deriving from the transfer of shares to which the deduction for investment in newly or recently created companies has been applied. The exemption may be total or partial, provided that the total amount obtained on the transfer of the shares is reinvested in the acquisition of shares in the aforementioned companies under the conditions determined by regulations.

Deduction for Donations

10% of the amounts donated to foundations and associations of declared public utility not included in Law 49/2002 will be tax deductible from the taxpayer's PIT liability.

With regard to donations made to non-profit organisations included in Law 49/2002, taxpayers may deduct from their tax liability 80% of the first €150 donated and 35% of the remaining amount exceeding €150. This last percentage will be 40% in the case of multi-year donations, i.e. if donations of the same amount or more have been made to the same entity in the previous two years.

Transfers Between Investment Funds

Transfers between investment funds may be carried out without generating capital gains, deferring taxation until the final redemption. The transfer is carried out by subscribing to a new fund after the total or partial redemption of the units of another fund, without at any time the amount derived from the redemption remaining at the disposal of the investor. The new units subscribed retain the value and the date of acquisition of the units redeemed.



This deferral applies to Spanish investment funds and funds from other EU countries registered with the CNMV (UCITS with an EU passport). However, it does not apply to listed investment funds (ETFs).

Capital gains arising from the transfer of an asset acquired before 31 December 1994

The capital gain obtained from the transfer of a capital item acquired before 31 December 1994 and determined in accordance with the requirements established in the regulations, may be reduced by applying the reduction coefficients established in the corresponding regulations.

Long-Term Savings Plans ("*Plan de Ahorro 5*")

Income obtained from investments in Long-Term Savings Plans is exempt from PIT. These investments can be made through:

- Individual Long-Term Life Insurance (SIALP)
- Individual Long-Term Savings Accounts (CIALP)

The maximum annual contribution is €5,000, with a minimum five-year holding period. Plans must be redeemed in full as a lump sum after five years.

Deduction for Investment in a Primary Residence

Taxpayers who purchased their primary residence before 31 December 2012 and claimed this deduction may deduct 15% of amounts paid for the purchase or renovation during the year, with a maximum deduction base of € 9,040.



Health Insurance for Employees

Employers providing health insurance for employees are exempt from PIT up to €500 annually. This exemption extends to the employee's spouse and children, with a €500 limit per insured family member. The non-taxable limit rises to €1,500 for disabled family members.

Health Insurance for Self-Employed Individuals

Self-employed individuals reporting net income under the direct estimation method can deduct health insurance premiums for themselves, their spouse, and children under 25 living with them. The limit is €500 per person or €1,500 per disabled family member.

Primary Residence for Self-Employed Individuals

Self-employed individuals who use part of their primary residence for business purposes may deduct utility expenses (water, electricity, gas, internet) in proportion to the square metres used, applying 30% to that proportion unless a higher or lower percentage is substantiated.

Self-employed living expenses

Self-employed individuals may deduct meal expenses under the following conditions:

- The expenses must be related to the natural person.
- Expenses must relate directly to business activities.



- The expenses must be incurred in catering and hotel establishments.
- The expenses must be paid using any electronic means of payment.

The deductible amount for this concept would have as a daily limit the same amounts established for the maintenance expenses of employees in the PIT Regulations. In general terms, the deductible amount is 26.67 euros per day if the expense is incurred in Spain or 48.08 euros if it is incurred abroad. These amounts would be doubled if, as a result of the trip, the person stays overnight. Please note that these are maximum amounts, which means that if the expenses incurred were lower, only that amount would be exempt from taxation.

Deduction for investment in new items of tangible fixed assets or investment property used for business activity

Taxpayers who carry out an economic activity and have acquired in 2024 new items of tangible fixed assets or real estate investments assigned to the activity, may apply a deduction of 5% of the net income from the activity in 2023 and 2024 that have been assigned to the investment.

Deduction for Geographic Mobility

Unemployed taxpayers who accept a job requiring relocation to another municipality may claim an additional deductible expense of up to €2,000.

Maternity and Paternity Benefits

Maternity or paternity benefits received are exempt from PIT.

A maternity deduction may also be applied for women with children under the age of three who meet certain requirements. This deduction will be increased when



the taxpayer has paid childcare expenses for the child under three years of age in nurseries or authorised child education centres.

Deduction for Party Membership Fees

Taxpayers may deduct 20% of membership fees to political parties, federations, coalitions, or voter groups, with a maximum deduction base of €600 annually.

Contributions to the Protected Assets of Disabled Individuals

Contributions to the protected assets of persons with disabilities made by the spouse, direct or collateral relatives up to the third degree, or those who have a person under guardianship or foster care in their care, will give the right to reduce the taxable base of the tax, up to a limit of 10,000 euros per year.

If several persons make contributions to the same estate, the joint limit will be 24,250 euros per year.

Deductions for works to improve the energy efficiency of dwellings.

- Deduction of 20 % of the amounts paid for the works carried out until 31 December 2024 for the reduction of the heating and cooling demand of the main residence or other dwelling in rent (provided that it is not affected by an economic activity) or in the expectation of renting, provided that the works carried out contribute to a reduction of at least 7 % in the heating and cooling demand.

The maximum deduction base is 5,000 euros per year.

The deduction must be accredited through the reduction of the heating and cooling demand indicators of the energy efficiency certificate of the dwelling issued by the competent technician after the works have been carried out.



Proof must be provided that the cost of the work has not been paid in cash.

- Deduction of 40 % of the amounts paid for the works carried out until 31 December 2024 for the improvement in the consumption of non-renewable primary energy of the main residence or other dwelling in rent (provided that it is not affected by an economic activity) or in expectation of renting, provided that the works carried out contribute to a reduction of at least 30 % of the consumption of non-renewable primary energy referred to in the energy certification or entail the improvement of the energy rating of the building to obtain an energy class 'A' or 'B', on the same rating scale.

The maximum deduction base is 7,500 euros per year.

The deduction must be accredited through the home's energy efficiency certificate issued by the competent technician after the works have been carried out.

It must be accredited that the cost of the works has not been paid in cash.

- Deduction of 60 % of the amounts paid by the owner of the property located in a building of predominantly residential use for energy rehabilitation works carried out until 31 December 2024 in which an improvement in the energy efficiency of the whole building in which it is located is obtained, provided that the works carried out contribute to a reduction in the consumption of non-renewable primary energy, referring to the energy certification, of at least 30 %, or the improvement of the energy rating of the building to obtain an energy class 'A' or 'B', on the same rating scale.

The maximum deduction base is 5,000 euros per year. However, the amounts not deducted for exceeding the maximum annual base may be deducted, with



the same limit, in the following 4 financial years, without the accumulated base exceeding 15,000 euros.

The deduction must be accredited by means of the building's energy efficiency certificate issued by the competent technician after the works have been carried out.

The deduction does not apply to work carried out on the part of the property that is used for economic activity.

Proof must be provided that the cost of the work has not been paid in cash.

Deduction for the purchase of 'plug-in' electric vehicles

There are two alternatives and you must choose one of them:

- If the vehicle was purchased between 30 June 2023 and 31 December 2024, you will be able to deduct 15% of the purchase price.

In this case, you must make the deduction in the tax period in which you register the vehicle.

- If amounts have been paid, between 30 June 2023 and 31 December 2024, on account of the future purchase of the vehicle that represent at least 25% of the acquisition value, you will be able to deduct 15% of the acquisition value. The payment of the remaining amount and the purchase of the vehicle must be made before the end of the second tax period immediately following the one in which the payment was made:
 - If payments were made in 2023 (from 30th June) that amount to at least 25% of the purchase price of the vehicle the deadline will be



until 31st December 2025 to make the payment of the remaining amount and purchase the vehicle.

- If payments are made in 2024 amounting to at least 25% of the purchase price of the vehicle, the deadline to pay the remaining amount and purchase the vehicle is 31st December 2026.
- If payments are made in 2023 (from 30th June) and in addition in 2024 to reach 25% of the purchase price, the deadline is 31 December 2026 to pay the remaining amount and purchase the vehicle.

In this case, the deduction will be made in the tax period in which the amount paid on account reaches 25% of the acquisition price.

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