

## The Government reduces to 15% the withholding rate on professionals incomes.

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In an attempt to improve the economic data the government has begun to publish measures to encourage economic growth. According to art. 122.3 of Royal Decree Law 8/2014 of 5 July 2014, the percentage of withholdings on income derived from professional activities is 15 percent where the volume of gross salary income of such activities for the year immediately preceding is less than 15,000 euros and represents more than 75 percent of the sum of the full income from economic activities and work of the taxpayer in that year.

For the application of 15% withholding tax rate the taxpayers must communicate to the payer of the income the concurrence of the circumstances, being obliged the payer of the invoice to preserve the signed communication. The Government expects this measure will benefit more than 325,000 professionals with low incomes that will be favored by the application of the reduced withholding rate.

In addition, the Royal Decree raises 12,000 euros which was also included in the draft tax reform, to 15,000 euros annual income of self-employed who may apply the 15% withholding immediately. Professionals with a level of income during the previous year of more than 15,000 euros shall continue to apply a 21% retention although this percentage is expected to drop in January 2015. New self-employed people have the option for them to apply their income a reduced withholding rate of 9% during the year of onset of activity and the next two years .

For further details do not hesitate in contact VP Advisers