Asec
rise above the rest

WELCOME.

Dear clients, associates and friends, yet another action packed year for ASEC.

Spain's economy seems to be starting to recover, and if the tourist sector is anything to go by, 2015 should see a general turn around.

The Spanish government has continued to change the goal posts on the tax and compliance fronts, ostensibly under pressure from Brussels. This has kept us busy on its implementation. One positive side of these changes is that communications with the tax and Social Security authorities have now to be carried out by electronic means only, thus reducing the amount of time employed and accelerating the response times. This is good news for all clients, and we urge you to contact us as soon as possible, if you have not yet done so, to enable the links to be established.

Payroll services continue to be a growth area for ASEC, especially on the international front. We are aware however that IT is key in the payroll sector, and have therefore invested heavily in acquiring state of the art software, which once operational will cut down our response times dramatically.

I hope you find this issue of ASEC Notes, of interest, and reiterate our ongoing commitment to all clients and associates.

Best wishes to all.

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Managing partner.

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SOCIAL SECURITY.

A. In line with our comments on electronic signatures for taxes, it's worth pointing out that the Ministry of Employment has followed this general policy, and has introduced a similar electronic communication system called NOTESS (no guesses accepted for who came up with this name!).

This system allows direct communication with the Ministry, via internet, something that until recently was very limited. A very important step forward in our dealings with the Ministry on behalf of clients, and it will bring about a dramatic improvement in communications.

The system is mandatory, and if clients don't take the necessary steps to implement it, substantial penalties will arise, AND it will block your payrolls.

We urge clients to take this into account when considering setting up in Spain, or when introducing modifications to existing contracts.

For further assistance contact our help desk on aronco@asec.es

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B. Social Security will inform businesses directly of the contributions that have to be made monthly for their workers.
The Social Security and Employment Ministry has remitted to employers and trade unions, the draft law that establishes a new system of paying social security contributions.
This will replace the traditional model of self assessment, which has been in operation for decades. Social Security will make a "personalize quotation" correspondent to each worker, using the contribution code that has been provided by the company.
With this new electronic system, compliance will be simplified and at the same time a saving on costs for the Social Security authorities, by optimizing their human resources, and especially in the collection of total contributions.
Better efficiency will also be achieved, in the control of determinants aspects to the correct collection of the Social Security, through to the wrongful application of benefits payable, among other things.
Even though is difficult to quantify the impact of this new system, Social Security anticipates an increment of at least 171 million Euros.
The introduction of this new system will come with a reduction of administrative charges, a reduction of the formalities applicable, and the frequency of reporting the data.
Companies will have the benefit of less administrative charges, which mean savings close to 100 million Euros p.a.

PROPERTY TAXES.

The rating authorities have estimated that there are more than 1,000,000 homes in Spain not officially declared. Of these some 700,000 are being investigated, so that they can be brought onto the register. In the province of Malaga alone the figure is estimated to be close to 17,000.

These are quite shocking statistic and no doubt there must be quite a few gaps in the information, but when the task is completed the flow of property tax income will no doubt bring in substantial revenue.

EXCHANGE OF INFORMATION BETWEEN COUNTRIES OF THE EU.

The European Parliament has given the go ahead to the European Commission, to enable them request and obtain information from the member states, in relation to: salaries, directors' fees, and income from life insurance policies, pensions, real estate income, dividends, capital gains, as well as details of bank balances held, as from 2017.

It remains to be seen how all this will work out in practice.

REPORTING OF BANK ACCOUNTS HELD IN SPAIN.

The Tax Authorities will shortly be able to request details of the account holders of all bank account held in Spain.

In principle no other information will be reported automatically under this procedure, however the Authorities will have the right to request details of all movements, whenever they so deem.

FINANCIAL STRIP TEASE.

Switzerland that well known financial sanctuary has been forced to bow down to pressure from the EU, the USA, and the OCDE, and has taken steps to virtually eliminate banking secrecy rules. The Swiss tax authorities have gone as far as saying that attempts to hide funds in Switzerland will be reported automatically. The Swiss financial sector represents just under 12% of the country's GDP, the biggest contributor by far, to its economy.
Spain, has availed itself of these changes and is now cooperating on a permanent basis with Switzerland, in the exchange of information related to taxpayers of both countries. The banking sector has assured Spain that Spanish clients have all regularized their tax affairs, under the tax amnesty of 2012.
This in effect will have an effect on the Swiss GDP, but they are concentrating on a turnaround in its financial sector's ability to offer top quality services to its clients, in spite of the new measures.

MONEY LAUNDERING.

The Spanish government has recently "softened" its KYC (Know your client) rules for SME'S.

The new legislation, mirrored on the EU directive, brings into the fold the following types of entities, but not exclusively: banks, jewelers, property developers, real estate agents, professional firms, high street shops, casinos, antique dealers, etc.

All these businesses/entities must put in place adequate monitoring systems which will enable them to identify suspect operations, and subsequently report them to the authorities, if their clients are not able to supply adequate compliance documentation.

The government however is aware that the above requirements can carry a somewhat onerous commitment for small businesses, and has therefore modified the compliance rules, and a business with an annual turnover of less than 2,000,000 Euros, and no more than 10 employees, is not required to maintain a written manual, amongst other requirements which have been eliminated.

Interestingly politicians will come under closer scrutiny, as well as their direct families! About time I would say.

NEW BUSINESS ENTITIES.

Last September new government initiatives came into force, which are designed to create small entity structures for businesses, a half way house between small companies and self-employed professionals or businessmen.

The objective is centered on reducing red tape, as well as reducing the paid up capital requirement to just One Euro. In addition the business person/s will be able to limit their liability in case of insolvency by way of a formula which will be applied to their personal assets.

Another proposal which is now going through parliament is a hybrid of the traditional limited liability company (Sociedad limitada), which will be called SLFS (SOCIEDAD LIMITADA DE FORMACION SUCESIVA). These will carry a limitation on the amount the shareholders will have to cover in the event of bankruptcy, based on a formula.

ONLINE COMUNICATIONS WITH THE TAX AUTHORITIES FOR SELF EMPLOYED PROFESIONALS.

New rules have come into force which will allow self employed professionals to file for their regular taxes without having to apply for an electronic signature.

A simple SMS communication will suffice.

THE TAX AUTHORITIES WILL CHECK THE COMPUTERS OF ALL SMEs, IN THE FIGHT AGAINST FRAUD.

This initiative is based on a global review designed to detect false accounting records, especially in the hospitality and construction industries.

This "tax control plan" will change the priorities of the inspection service. From now on they will give greater prominence to the surveillance of midsize companies, especially reviewing their IT systems.

In fact, the Treasury is already visiting medium size businesses. In these inspections, officials of the Treasury have requested direct access to the companies' IT systems.

The same sources that move inspectors are being "very careful" in this incursion and bring a provided computer equipment compatible with various file systems. A very aggressive entry may be appealed by the companies to court, claiming that Treasury violated its trade secrets, what in legal terms, means as "address", in this case business.

Also, the tax authorities are sending numerous requests for information to medium-size companies to keep a check on their regular running expenses. These are expenses incurred by the company in the day to day to supply their own employees or customers. Also, the Treasury will monitor the postponement of payments requests by companies.

This "Monitoring" will be a regular feature of the "tax surprises" we can expect from now on.

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