



New tax measures in Andalusia: deflation of the regional personal income tax rate and elimination of wealth tax

Tax Alert



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In a bid to mitigate the detrimental effects of rising prices and attract investment, Decree-Law 7/2022 introduces measures including the deflation of the initial regional personal income tax (PIT) brackets and an increase in the amount of personal and family allowances not subject to PIT, in addition to a 100% reduction in wealth tax (WT). These two measures will take effect in the 2022 PIT and WT returns.

21 September saw the publication in the Official Gazette of the Regional Government of Andalusia of [Decree-Law 7/2022](#) of 20 September 2022, amending Law 5/2021 of 20 October 2021 on taxes devolved to the autonomous region of Andalusia (Decree-Law 7/2022). The new legislation entered into force on 22 September 2022.

This Decree-Law introduces amendments affecting devolved taxes, such as PIT and WT, and local taxes, such as the charge for the upgrade of hydraulic infrastructure of interest in the autonomous region of Andalusia.

It moreover relaxes the requirements for granting debt deferrals or instalment payments over which the Andalusian Tax Agency has jurisdiction.

The main measures can be summarised as follows:

Deflation of PIT

Two measures have been introduced with regard to PIT:

- On the one hand, the regional rate applicable to the general component of net taxable income has been reduced by 4.3%, while the amounts of the initial personal income tax brackets have been increased:

Net taxable income Up to Euros	Gross tax payable Euros	Remainder of net taxable income Up to Euros	Applicable rate Percentage
0.00	0.00	13,000.00	9.50%
13,000.00	1,235.00	8,100.00	12%
21,100.00	2,207.00	14,100.00	15.00%
35,200.00	4,322.00	24,800.00	18.50%
60,000.00	8,910.00	upwards	22.50%

- On the other hand, personal and family allowances have been increased.

Law 22/2009 of 18 December 2009, governing the system for financing the Autonomous Regions subject to the Common Regime and Cities with a Statute of Autonomy and amending certain tax legislation ("LOFCA", per its Spanish acronym), conferred legislative powers on the autonomous regions with regard to the personal and family allowances applicable for the purposes of calculating the regional tax.

Under these powers, the autonomous region of Andalusia has increased the amount of the personal and family allowances applicable for the purposes of calculating its regional tax by 4.3% in 2022.

These two measures will take effect **in the PIT return for the 2022 tax period.**

100% reduction in wealth tax

Effective in 2022, Decree-Law 7/2022 introduces a regional reduction of the full amount of the WT payable, once the tax credits and allowances provided for in state legislation have been applied.

This reduction means that WT has effectively been abolished in Andalusia, thus rendering this autonomous region an attractive tax territory for the wealthy and international investors alike. This measure will benefit both taxpayers resident in Andalusia and taxpayers who, while not resident in Spain (EU and non-EU residents), have the bulk of their assets (accounting for the greatest value with respect to their total assets) in Andalusia.

Even where no tax is due, a WT return must still be filed when the value of the assets and rights for WT purposes exceeds Euros 2 million, in accordance with state wealth tax legislation.

Other measures

Deferrals and instalment payments

The Decree-Law also introduces measures relaxing the conditions for granting the deferral or instalment payment of devolved taxes, including the following:

- an increase, to 12 years, in the maximum term for deferrals and instalment payments granted by the Andalusian Tax Agency.
- as an exception, and upon authorisation by the Governing Council, the possibility of granting a deferral or payment in instalments for a longer period is envisaged, at the debtor's request, in cases to be decided by the presidency of the Regional Government in view of the amount of debt concerned.

Both of these measures will apply as of 22 September 2022 to requests for deferrals or instalment payments that are being processed at that date.

Charge for the upgrade of hydraulic infrastructure of the autonomous region

As regards local taxation, Decree-Law 7/2022 has added a fixed availability fee and a variable water consumption fee of Euros 0/m³ to the charge for the upgrade of hydraulic infrastructure of interest in the autonomous region. This is a temporary measure which will be in force from 1 January 2023 until 31 December 2023.

As a supplementary measure, the tax credit schedule in respect of the charge for the upgrade of hydraulic infrastructure of interest in the autonomous region has been amended, on a transitional basis, to enable suppliers to apply the tax credit provided for in article 89.2 of Andalusian Water Law 9/2010 of 30 July 2010, with respect to amounts corresponding to water treatment works financed by local entities.

Comments

In addition to deflating the PIT rate for the lowest income levels falling within the initial tax brackets, this significant Decree-Law has increased the amount of personal and family allowances that are not subject to PIT. It has moreover relaxed the deferral and instalment payment regime and reduced the hydraulic infrastructure charge. However, the star measure is no doubt the 100% reduction in wealth tax, effective immediately, i.e. as of 2022. This rounds off the set of

measures initiated upon the approval of Decree-Law 1/2019 of 9 April 2019 and Decree-Law 7/2021 of 7 April 2021, on allowances and the extension of the applicable groups in respect of inheritance and gift tax and other tax measures, the stated purpose of which is to entice taxpayers domiciled in other autonomous regions back to Andalusia, and to encourage taxpayers resident in other autonomous regions and non-residents with interests in Andalusia to relocate their tax residence to this autonomous region, which could then benefit from any investments that such a move might entail. This is certainly a bold measure that places Andalusia among the most attractive regions, now also from a tax standpoint, in which to live and invest.

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