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Spain's 2021 budget includes pension plan changes

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Spain's General State Budget for 2021 includes several employment-related tax measures, including revised contribution levels for qualified pension plans and company plans.

Highlights

- The annual maximum contribution for qualified pension plans is reduced to €2,000 per year — down from €8,000. This change applies to individual or company plans, such as “planes de pensiones,” “mutualidades de previsión social,” “planes de previsión social empresarial” and “planes de previsión asegurados.” Employers can contribute an additional €8,000. Similarly, the permitted personal income tax deduction for plan contributions is capped at €2,000 per year — down from €8,000 — and employers can contribute an additional €8,000. The total amount of contributions must not exceed 30% of the total net income derived from employment and any other economic activity during the year.
- The maximum joint deduction for individual and company contributions to company plans and systems is €10,000.
- The taxation of employees who are transferred to Spanish territory has increased. A tax rate of 24% will be applied up to €600,000, and income exceeding that amount is taxed at 47% (the previous rate was 45%).
- The taxation of insurance premiums has increased to 8% — up from 6%.
- State pension payments increased by 0.9%, and noncontributory pensions increased by 1.8%. The public pension payment is capped at €37,904.86 for 2021.

Related resource

- [General state budget \(Spanish\) \(31 Dec 2020\)](#)

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