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Changes to tax-deductible pension contributions in Spain

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Spain's General State Budget for 2021 includes several employment-related tax measures, including reductions in the maximum employee contributions possible to tax-approved pension arrangements from 2021. These changes mean that company-sponsored pension plans offer significant advantages compared with individual arrangements.

Pension contribution changes

- The annual maximum individual/employee 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 per year, offering a total possible annual contribution of €10,000 per year, to company-sponsored plans. The total contribution amount 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.
- Via salary sacrifice, employees can make contributions to qualified and non-qualified pension plans to contribute in excess of the €2,000 limit.
- Non-qualified pension plans can also offer the opportunity for employees to salary sacrifice up to €100,000 per year of gross pay to the plan without incurring a benefit-in-kind tax charge. The employer's tax deduction in respect of the contributions is deferred until the benefits are paid, or when the employee leaves service and benefits are transferred.

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Other budget highlights

- The taxation of employees who have 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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