

informative note

Barcelona, 28 December 2020

TIC TAC...Last call to benefit from a higher tax incentive through the 2020 PIT Return

Major limitation from EUR 8.000 to EUR 2.000 in the contributions to individual pension plan systems limit for tax purposes.

On 22 December 2020, the Plenary Senate approved the 2021 Spanish General Budget Bill (GBB-2021). The GBB-2021 now heads to return to the Congress for final approval on 29 December 2020, which is considered purely a formal step.

Through the GBB-2021, the Government's (PSOE-Podemos) objective is to increase social spending up to a historical maximum by approving measures such as a 1,8 % revaluation of the Social Security pensions.

- **Will the revaluation of the social security pensions be at the cost of a hike on PIT incentives?**

The other side of the coin is the limits' cut on the yearly reduction in the tax base for contributions to individual pension plan systems.

- **How does it affect me?**

As from 2021, the tax limit of contributions to individual pension plan systems (i.e. reduction in the general PIT tax base) drops from EUR 8,000 to EUR 2,000,

Besides, the maximum per year for contributions made to the partner's pension plan will be EUR 1,000 (up to 2020 it is EUR 2,500).

In practice, this implies that 2020 is the last year in which the **PIT taxpayers can benefit from a EUR 8,000 reduction in the tax base for contributions made to individual pension plan systems** (provided that it does not exceed 30% of the sum of net income from employment and economic activities) so, **PIT taxpayers have time until 31 December 2020** to make contributions to individual pension plan systems to benefit from a higher reduction in their PIT tax base.

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