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Automatic information exchange with Spain on pensions

The two finance ministries have agreed on an automatic exchange of information on pensions paid to residents of their country under deduction of a withholding tax.

Under the German-Spanish double tax treaty, retirement and old-age pensions are taxable in the country of residence of the beneficiary. However, they are also taxable by deduction at source in the state of payment if paid by a social security authority, of if paid on an insurance policy, the premiums on which were tax-deductible in that state over a twelve-year period. The Spanish and German finance ministries have now agreed to ensure taxation in the country of residence with an automatic exchange of information on pensions paid under withholding tax in the country of source. The information is to be provided within the calendar year following that of payment. The agreement takes effect on January 1, 2015, that is, it applies to pensions paid in 2014. Interestingly, it does not cover pensions, such as those paid under company pension schemes, solely taxable in the country of residence, although the rules for claiming exemption in the country of source do at least ensure that both authorities are aware of the fact of the pension, if not of the amount.

Keywords

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