



# Spain: Legislation Update

## Changes to pension contribution limits effective 1 January 2021

This brief note is to make you aware of taxation changes to qualified pension plans (and similar funding vehicles) in Spain that have been brought into effect from 1 January 2021. These were only confirmed on 30 December in the [General state budget](#) (in Spanish).

### What has changed?

The new legislation sets out the following:

- The annual maximum contribution payable by employees for qualified pension plans has been reduced to €2,000 per year (previously there was no employee limit however combined employer and employee contributions could not exceed €8,000).
- Employers can pay additional contributions on top of this, with a limit of €8,000 (although an interpretation of the legislation may allow employer contributions of up to €10,000 – we await clarification).
- The total contribution that may be paid from both employees and the employer is €10,000, which is higher than in previous years where combined contributions could not exceed €8,000. Additionally, 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.

### Aon's view

This reduction in contribution limits to supplementary pension plans has an impact for employees, directly affecting:

- Members' contributions to qualified pension plans and similar funding vehicles mandated by the plan rules
- Voluntary contributions made by members to occupational pensions and similar vehicles
- Voluntary contributions made by members to individual pension plans

### Next steps

If you would like to discuss this in more detail or want to know more about how Aon can help you understand the impact on your organisation, then please reach out to your usual Aon consultant or any of the team below.

Prepared by: Aon

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Many organisations have an objective to promote the use of supplementary pension plans to incentivise saving for employees' retirement, and to promote adequate retirement planning, and this reduction in contribution limits has an immediate impact on employees' ability to save to this end.

As a result of the increase in the limit that applies to employer contributions, employers may pay a greater amount into the plan than previous years. If plan rules do not currently define a contribution cap, then it could lead to employers paying significantly more into the plan than previous years.

### **How can I minimise the impact?**

The impact will depend to a great degree on the contribution formula set out in the pension plan rules. In any case, there is a direct impact on employees' ability to save via these vehicles. However, at Aon we have worked to create solutions for each scenario that may arise as a result of this limit on individual contributions.

We would be delighted to analyse your position and implement solutions in our Retirement team.

### **Legal disclaimer**

*This document has been drafted based on the legislation and regulations published in the General State Budget on 30 December 2020. Any clarification, update or legal modification to the Budget may affect the issues outlined.*

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