

INCOME TAX 2021: WHO IS OBLIGED TO FILE?

From 6 April to 30 June 2022, all taxpayers can file their income tax return for the 2021 tax year. Those who have obtained income in excess of the following limits during the year 2021 are obliged to do so.

INCOME TAX RETURN EXEMPTION LIMITS

- **Income from work (wages and salaries, unemployment benefits, pension plans, etc.)**

Obtaining income from work in excess of:

22,000 euros per year, when:

- a) There is a single payer, or:
- b) There is more than one payer and the income received by the second and other payers is below 1,500 euros.

14,000 euros per year, when:

- a) There is more than one payer and the income received by the second and other payers is below 1,500 euros.
- b) In any of the following cases:
 - Pensioners receiving benefits from more than one payer.
 - Collection of compensatory pensions from the spouse.
 - The payer of the income has not been obliged to make withholdings.
 - The income has been subject to a fixed withholding rate (e.g. company directors).

- **Income for movable capital (interest, dividends, etc.) and capital gains,**

Obtaining income from movable capital and capital gains for an amount greater than 1,600 euros per year as a whole.

- **Imputed real estate income, income from Treasury Bills and subsidies for the purchase of subsidised housing,**

Having obtained this type of income for more than 1,000 euros per year as a whole.

- **Income from work, income from movable or real estate capital, income from economic activities and capital gains**

If you have obtained different types of income, you do not have to file a tax return if the total amount does not exceed 1,000 euros per year or if you have not had losses of more than 500 euros.

- **Income for economic activities**

Taxpayers who carry out an economic activity are obliged to file an income tax return, unless the total annual income, together with income from work and capital, does not exceed 1,000 euros per year.

- **Tax benefits**

Those who wish to be accredited must also file a tax return:

- Deduction for investment in main residence.
- Deduction for international double taxation.
- Deduction for contributions to pension plans or protected assets, regardless of their income.

NEW FEATURES OF THE 2021 INCOME TAX RETURN

1. Taxpayers in receipt of ERTE benefits

ERTE benefits are considered as income from work subject to taxation and, therefore, are not exempt from personal income tax. For this reason, taxpayers who have received ERTE benefits during the year 2021 may find themselves in one of the following situations:

- Possibility of being obliged to file a tax return due to having two payers, the employer and the SEPE itself (income exceeding a total of 14,000 euros per year).
- Having received undue payments from the SEPE (receiving a payment other than the one to which you are entitled). In this case, it is advisable to wait to receive notification from the SEPE with the amounts to be refunded in order to regularise the situation and not have to pay tax on them.

Taxpayers who have received ERTE benefits will be exempt from filing a tax return if:

- The amount of the second and remaining payer does not exceed 1,500 euros and the total sum of earned income does not exceed 22,000 euros.
- If the amount of the second and remaining payers exceeds 1,500 euros, but the total sum of earned income received in the tax year does not exceed 14,000 euros.

2. Exemption from the Minimum Vital Income (IMV)

The beneficiaries of the Minimum Vital Income (IMV) must file a tax return, regardless of the amount of their income. It should be borne in mind that the MVI is an exempt income and therefore does not have to be included in the tax return, but it does have to be filed.

3. Taxation of severance payments for self-employed workers

Self-employed persons who have received severance payments during 2021 will have to pay tax on this income. However, given that it does not come from an economic activity, it will not be necessary to include it in the fractioned payment form I 30.

4. Reduction of the limits on the deductibility of pension plans

Pension plan contributions can be deducted from income subject to personal income tax with the annual limit for 2021 of 2,000 euros (the limit is reduced to 1,500 euros in 2022).

Contributions to occupational pension plans remain at 10,000 euros (2,000 euros on the employee's side and 8,000 euros on the company's side). For 2022, these contributions will also be up to 10,000 euros, but 1,500 euros on the employee's side and 8,500 euros on the employer's side.

FREQUENTLY ASKED QUESTIONS

Can I file my income tax return voluntarily?

Even if you have not exceeded the established limits and, therefore, are not obliged to file your tax return, it is advisable to check what the result would be in the event of filing it, as in the vast majority of cases, the taxpayer will receive a refund from the Treasury and will be entitled to request a refund of the tax overpaid. On the other hand, if we see that the result is a refund, we will not file the tax return as we are not obliged to do so.

If I file my tax return voluntarily, will I be obliged to file it in the future?

There are taxpayers who are not obliged to file their income tax return but who need to prove their income for some reason, such as, for example, applying for grants or scholarships. In these cases, the tax return can also be filed voluntarily and within the period indicated. It should be pointed out that the fact of filing the income tax return one year does not mean that you are obliged to file it in subsequent years if the established limits are not exceeded each year.

If I have a partner, do I file a joint or individual tax return?

Married taxpayers can choose to file their tax return individually or jointly. This option does not apply to unmarried couples, who do not have the right to opt for joint taxation. They can also opt for joint taxation:

- Single-parent families with their children.
- Families formed by the father or mother with all the children who live with one or the other in cases of legal separation or in cases where there is no marital relationship. This reduction does not apply if the father and mother live in the same house.

In the case of joint taxation, all the members of the family unit declare their income jointly. Once the income has been added up, the following additional reductions will be applied (there is no such reduction in the individual tax return):

- Reduction of 3,400 euros for married couples filing jointly.
- Reduction of 2,150 euros for single-parent families.

As a general rule, it is only worthwhile to file a joint tax return if only one of the family members has income. If more than one member of the family earns income, a joint declaration is more detrimental, as the sum of the two incomes increases taxation considerably. When in doubt as to whether or not it is worthwhile to opt for joint taxation, it is advisable to calculate the two scenarios and choose the one that is best for tax purposes, i.e. the one that makes you pay the least tax.

If you have any doubts or queries, please contact our Tax Department (cinc@cinc.es).