

SPAIN - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	The state retirement age is 65. Early retirement possible from age 60, with a reduced pension. The government has made proposals to increase the state retirement age 67 and is looking for ways to bring actual retirement ages closer to the state retirement age. The state retirement pension is 50% of the average covered earnings after 15 years' contributions, increasing to 100% after 35 years' contributions. The maximum pension is EUR 34,526.80 a year (2010). The state also provides survivors' pensions, disability pensions and comprehensive medical care. Some reform of state benefits is under discussion as the social security reserve fund is expected to run out in 2015.
Typical New Pension Plan	Pension plans are mainly provided by large local companies and multinationals. New pension plans typically provide a defined contribution retirement benefit. Death and disability benefits may be provided under collective agreements, typically a lump sum benefit of one to three years' earnings on death or disability. Private medical insurance may also be provided.
Typical Costs	Employers contribute 29.9% of covered earnings (up to EUR 38,761.20 a year) for state benefits and employees contribute 6.35%. Employers also pay contributions for workmen's compensation. Employer contributions to defined contribution pension plans are typically 4% to 6% of earnings. Employee contributions to DC plans are typically 3% to 4%.
Tax Implications	Employer contributions to qualified pension plans are tax deductible to the employer and taxable to the employee. Employee contributions, and employer contributions on their behalf, are tax deductible up to EUR 10,000 or 30% of earnings (EUR 12,500 or 50% of earnings if over age 50). Premiums for insured benefits are tax exempt up to EUR 500 a year. Pensions and lump sums are taxed as income.
Labour Law Issues	All pension promises must be funded through an insurance contract or a tax-qualified pension fund. Qualified plans must have a control committee with employee representatives.
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.
International Financial Reporting	EU/EEA rules apply. For listed companies, International Financial Reporting Standards apply in both consolidated and separate company statements. For unlisted companies, IFRSs are permitted in consolidated statements but are prohibited in separate statements.
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