

Spanish Withholding Tax Information Sheet

For dividends paid prior to 6 April 2016

Spain and the United Kingdom agreed a new treaty for the avoidance of double taxation in March 2013. The treaty entered into force on 12 June 2014 after it was approved under the parliamentary procedures required by both Spain and the United Kingdom.

Withholding Tax

Under Spanish law, dividends paid by Santander, a Spanish resident company, to a holder of ordinary shares not residing in Spain for tax purposes, are subject to Spanish Non-Resident Income Tax (withholding tax) at the following rates:

Rate	Effective from	Effective until
21%	1 January 2012	31 December 2014
20%	1 January 2015	11 July 2015
19.5%	12 July 2015	31 December 2015
19%	1 January 2016	

Following the procedures set forth by Spanish legislation, Santander will levy an initial withholding tax on the gross dividend at the rates described above.

UK Tax

If you are resident in the United Kingdom then you may be eligible to apply for a lower rate of withholding tax of 10%, or for a refund of any withholding tax deducted in excess of 10%.

In addition, if you are resident for tax purposes in the United Kingdom, you will generally be subject to UK income tax or corporation tax on the dividends. This is charged on the gross dividend paid rather than the net amount received after any Spanish withholding tax has been deducted.

Dividends received by individual shareholders before April 2016 were taxed at rates of 10%, 32.5% or 37.5% for basic rate, higher rate and additional rate taxpayers respectively.

When dividends from UK-resident companies are charged to tax, shareholders were entitled to a non-payable tax credit of one ninth of the distribution under the provisions of section 397 (1) of the Income Tax (Trading and Other Income) Act 2005. As tax is charged on the gross dividend received, including the tax credit, this lowers the effective rates of tax on these dividends at the personal level to 0%, 25% and 30.56% of the gross dividend (excluding the UK tax credit).

From 6 April 2008 this non-payable tax credit of one ninth of the distribution was extended to individuals in receipt of dividends from non UK resident companies, subject to certain conditions. A person will qualify for the non-payable dividend tax credit if they own less than a 10% shareholding in the distributing non UK-resident company.

In consequence, with this tax credit the effective tax rate in the UK for dividends distributed by non UK-resident companies will be reduced to 0%, for basic rate taxpayers, 25%, for higher rate taxpayers and 30.56% for additional rate taxpayers, of the gross dividend (excluding the UK tax credit).

However, Spanish withholding tax can generally be credited against a shareholder's UK tax liability, on that dividend, at a maximum rate of 15% of the gross dividend (for dividends paid up to 11 June 2014) or 10% for dividends paid on or after 12 June 2014, but excluding any withholding tax which is eligible to be refunded.

Reclaiming Spanish Withholding Tax

Shareholders can recover the excess withholding tax by applying directly to the Spanish tax authorities and providing the following documentation:

- A Spanish 210 Form
- A certificate of residence issued by the competent tax authorities within the meaning of the relevant income tax treaty.
- Evidence that Spanish non-resident income tax was withheld with respect to the shareholder i.e. dividend statement.
- Details for the bank account into which the refunded monies should be paid

The refund claim must be filed within four years of the date on which the withheld tax was collected by the Spanish tax authorities (first twenty days of the month following the dividend payment). All paperwork has to be submitted through a Spanish tax representative or 'Gestoria'. Below are the details of one such tax representative although you are of course free to use any of your choosing:

Gestoria Mingot

E-Mail: gesmingot@gestores.net

Website: www.gesmingot.com

Office 1

Paseo Pintor Rosales, 70
28008 Madrid
Spain

Office 2

C/Chile, 10, Las Rozas
28290, Madrid
Spain

Please note that the costs of the above service may outweigh the benefits.

While we provide this information as assistance to our UK shareholders, we are not authorized to dispense tax advice and we encourage all shareholders to seek proper advice from an authorized tax advisor.