

Spanish Withholding Tax Information Sheet

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 shown 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 any dividend income over £5,000 per year. This is charged on the gross dividend paid rather than the net amount received after any Spanish withholding tax has been deducted.

Effective from 6 April 2016, the Dividend Tax Credit has been replaced by a new tax-free Dividend Allowance. This will be in the form of a 0% tax rate on the first £5,000 of gross dividend income per year.

This means UK residents will pay tax on any dividends over the £5,000 allowance at rates of 7.5%, 32.5% or 38.1% for basic rate, higher rate and additional rate tax payers respectively.

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

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

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 authorised to give tax advice, and for further advice please contact a tax or financial advisor who in the UK must be authorised by the Financial Conduct Authority.