

## SPANISH TAX INFORMATION ON DIVIDENDS FOR IAG UK RESIDENT SHAREHOLDERS

This note is based on current Spanish and UK law and practice as at October 2015, and it does not purport to provide tax advice. It assumes that the relevant IAG shareholder does not derive any Spanish source income or gains apart from their income from, or gains on, their shares in IAG. An IAG shareholder who is in any doubt as to their tax position or who derives any Spanish-source income or gains apart from their income from, or gains on, their IAG shares should consult their own professional advisers.

This note does not provide official guidance on the Form 210 and it has not been reviewed by the Spanish or UK tax authorities.

### WHAT IS THE PURPOSE OF THIS NOTE?

This note is intended as a general guide to UK tax resident IAG shareholders who receive dividends from their holding of IAG shares or CREST depository interests in IAG shares ("**CDIs**"), both referred to below as "IAG shares".

An IAG shareholder who receives dividends from IAG may in certain circumstances have to subsequently deal with the Spanish tax formalities by completing and submitting a Spanish tax return (a "**Form 210**").

### WHICH SHAREHOLDERS ARE ADDRESSED BY THIS NOTE?

This note is addressed to UK tax resident IAG shareholders who receive dividends from their IAG shares and who are "Qualifying shareholders".

Qualifying shareholders are shareholders: (i) who are resident in the United Kingdom for the purposes of United Kingdom tax law and the double taxation treaty ratified between the United Kingdom and Spain (the "**UK-Spain Treaty**"); (ii) are entitled to the benefits of the UK-Spain Treaty or Spanish domestic tax law; (iii) are the absolute beneficial owners of their IAG shares; and (iv) who do not carry on business through a permanent establishment in Spain with which their holding of IAG Shares is effectively connected (each, a "**Qualifying Shareholder**").

A Qualifying shareholder may wish to claim exemption and/or a reduced withholding tax rate in Spain under the UK-Spain Treaty on dividends received from IAG.

An IAG shareholder who is not a Qualifying Shareholder may still qualify for an exemption and/or a reduced withholding tax rate in Spain on dividends received from IAG. However, this note is addressed to Qualifying shareholders only.

### WILL I HAVE TO PAY SPANISH TAX ON DIVIDENDS RECEIVED FROM IAG?

Dividends received by a Qualifying Shareholder from their IAG shares will generally be subject to withholding tax in Spain. The tax is withheld by IAG who will pay that amount to the Spanish tax authority and the Qualifying Shareholder will therefore receive the net amount. The withholding tax is treated in Spain as a final tax provided the relevant law and withholding tax rate has been correctly applied. As such, no further Spanish tax will normally be due.

The withholding tax rate is generally 19.5% (scheduled to be reduced to 19% as of 1 January 2016) (the "**Standard Rate**"). However, a Qualifying Shareholder who satisfies all of the relevant procedural formalities should be entitled under the UK-Spain Treaty to a reduced rate of withholding tax, normally at a maximum of 10% (the "**Reduced Rate**").

## WILL I GET A REFUND OF ANY OF THE WITHHELD TAX?

A Qualifying Shareholder is entitled to ask the Spanish tax authority for a refund of an amount equal to the difference between the tax withheld and tax at the Reduced Rate. Where the Reduced Rate is 10%, this amounts to 9.5% of the pre-tax dividend. A refund is claimed by filing a Form 210 and complying with the associated formalities.

## WHAT ARE THE SPANISH TAX FORMALITIES ASSOCIATED WITH RECEIVING DIVIDENDS FROM IAG SHARES?

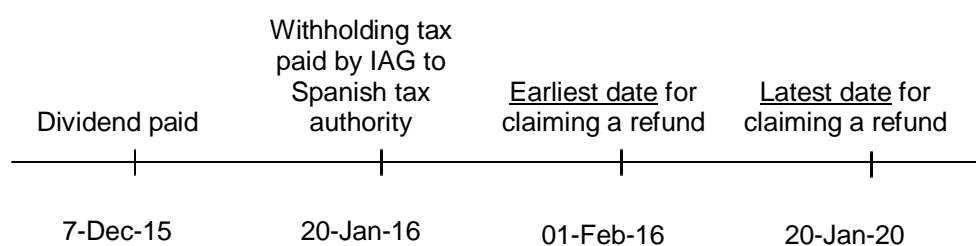
### Filing a Form 210 to claim a refund

A Qualifying Shareholder claiming a refund of withheld tax should file a Form 210 with the Spanish tax authority setting out: (i) the dividends received, (ii) the withholding tax applied and (iii) the refund they are claiming. The following must be attached:

- a certificate obtained from HMRC stating that, at the time when the dividend was declared or paid, the relevant Qualifying Shareholder was tax resident in the United Kingdom for the purposes of the UK-Spain Treaty; and
- evidence of the Spanish withholding tax.

A Qualifying shareholder may need to contact the custodian their shares are held through to ask what documentation they could be provided with in order to evidence that tax has been effectively withheld e.g. a tax voucher. Please be aware that it cannot be guaranteed that such evidence will be accepted by the Spanish tax authorities.

The Form 210 must be filed no earlier than 1 February of the calendar year following the calendar year in which the dividend is due and payable or paid, whichever takes place first. The refund claim must be filed within four years of the date on which the withheld tax was collected by the Spanish tax authorities (the 20<sup>th</sup> date of the month following the dividend payment). For example:



If a Qualifying Shareholder does not claim a refund of Spanish withholding tax when entitled to do so, the Qualifying shareholder may be unable to claim a credit for that Spanish withholding tax against any UK tax liability arising on the dividends to which the Spanish withholding tax related.

For further information, please download the following document: "[Form 210 Guidance Notes](#)".

### Other reasons to file a Form 210

In addition, in some limited circumstances a Form 210 is required to be filed if tax at the Reduced Rate is withheld in circumstances where the Standard Rate should have been withheld.

Where a Qualifying Shareholder is required to file a Form 210 a failure to do so can give rise to a €100 fine which may increase to €200 for each Form 210 which is not filed before a demand has been issued by the Spanish tax authority. The Qualifying shareholders would also remain liable for the incremental Spanish tax.

For further information, please download the following document: "[Form 210 Guidance Notes](#)".

**Appointing a Spanish tax representative**

A Qualifying shareholder will generally need to appoint a tax representative in Spain to submit the Form 210 on their behalf. A fee will normally be payable for this and any associated services.

The following are the details of one tax representative, you are of course free to select any tax representative of your choice:

Spanish Tax Forms Ltd

Post: FREEPOST, Spanish Tax Forms (no stamp needed)

Email: [enquiries@spanishtaxforms.co.uk](mailto:enquiries@spanishtaxforms.co.uk)

Free phone: 0800 0845 210

Website: [ww.spanishtaxforms.co.uk](http://ww.spanishtaxforms.co.uk)