

SPANISH TAX INFORMATION ON GAINS REALISED ON IAG SHARES BY 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 Spanish taxation for UK tax resident IAG shareholders who dispose of all or part of their holding of IAG shares or CREST depositary interests in IAG shares ("CDIs"), both referred to below as "IAG shares".

An IAG shareholder who disposed of its IAG shares will have to deal with the Spanish tax formalities by completing and submitting a Spanish tax return (a "Form 210") when required.

For further information on how to complete and submit a Form 210, please download the following document: ["Form 210 Guidance Notes"](#).

WHICH SHAREHOLDERS ARE ADDRESSED BY THIS NOTE?

This note is addressed to UK tax resident IAG shareholders who dispose of 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").

Where a capital gain arises on a disposal of IAG shares by a Qualifying shareholder, Spanish tax will not be due provided such shareholders claim exemption under the UK-Spain Treaty. This note is addressed to shareholders seeking to comply with their Spanish tax obligations and claim exemption from Spanish tax.

An IAG shareholder who is not a Qualifying Shareholder may still qualify for an exemption from Spanish tax on capital gains in relation to the disposal of their IAG shares. However, this note is addressed to Qualifying shareholders only.

WILL I HAVE TO PAY SPANISH TAX ON A DISPOSAL OF IAG SHARES?

No charge to Spanish tax should arise to a Qualifying Shareholder on a disposal of IAG Shares provided the Qualifying shareholder complies with the relevant formalities set out in this note.

WHAT ARE THE SPANISH TAX FORMALITIES ARISING FROM A DISPOSAL OF IAG SHARES?

Where a disposal by a Qualifying shareholder of IAG shares gives rise to a gain, the Qualifying Shareholder is required by Spanish law to file a Form 210 with the Spanish tax authority detailing all of the gains on IAG shares made during the relevant calendar year. This form and an accompanying certificate of UK tax residence must be filed in the first 20 days of January of the following calendar year.

No Form 210 is required to be filed in respect of a disposal which gives rise to a loss. However, gains and losses may not be offset against each other under current Spanish law applicable to non-residents.

Where a Qualifying Shareholder is required to file a Form 210 a failure to do so in due course 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.

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 is 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

Free phone: 0800 0845 210

Website: www.spanishtaxforms.co.uk

For further information on completing and submitting Form 210, please download the following document: "[Form 210 Guidance Notes](#)" from the IAG website.

HOW DO I CALCULATE THE GAIN MADE ON A DISPOSAL OF IAG SHARES?

The gain made on the disposal of IAG shares will be equal to the difference between the disposal proceeds and the acquisition price of the relevant IAG Shares (where the former exceeds the latter).

The disposal proceeds are normally the listed price of the IAG shares which are the subject of the disposal, less any related sale costs (e.g. brokerage fees). Similarly, the acquisition price is normally the price paid plus any related acquisition costs. Note that special rules for determining the disposal proceeds and/or the acquisition price may apply in certain circumstances, including for determining the acquisition price when the IAG shares were acquired as part of the merger between BA and Iberia.

For the purpose of calculating the gain arising on the disposal of an IAG share acquired as part of the merger between BA and Iberia, the acquisition price should be regarded as being equal to the fair market value of the BA share given up (282.50p), plus any associated acquisition costs.

Where the Qualifying Shareholder holds shares of the same class which have been acquired on different dates, those first acquired will be deemed to be disposed of first. Capital gains and losses must be calculated separately for each disposal made by a Qualifying Shareholder. It is not possible for a Qualifying shareholder to offset losses against capital gains.