Basic Concepts for Understanding Invoicing for Sign Language Interpreters (SLIs)

"Sign language interpretation professionals are required to issue invoices for services they provide on a self-employed basis."

What do we need in order to issue invoices?

- Tax Agency
  - You must register with the Tax Agency's register of economic activities using Form 036 or 037 under Tax Activity Code 774 (Translator-Interpreter).
  https://sede.agenciatributaria.gob.es/Sede/ca_es/procedimientoini/G322.shtm

- Social Security Treasury (Tesorería General de la Seguridad Social)
  - You must register with the Social Security system.
  https://www.seg-social.es/wps/portal/wss/internet/Trabajadores/Afiliacion/32765?changeLanguage=ca
    - Reduction for first-time registration
    https://www.sepe.es/HomeSepe/ca/autonomos/incentivos-ayudas-emprendedores-autonomos/reducciones-bonificaciones-seguridad-social.html
    - New contribution system
    https://www.seg-social.es/wps/portal/wss/internet/HerramientasWeb/9d2fd4f1-ab0f-42a6-8d10-2e74b378ee24

NOTE: Since 2023, with the new Social Security contribution system, cooperation between the Social Security Treasury and the Tax Agency has become closer. Through Form 100, both institutions exchange data and can verify whether declared income matches the contributions paid.

Therefore, if invoices are issued on a regular basis (more than five per year), if income exceeds the minimum interprofessional wage (€15,120 per year), or if these invoices constitute the main source of income, not being registered with Social Security is likely to have financial consequences.

"To issue invoices, even if it is only one invoice, it is necessary to be registered in the register of economic activities (Tax Agency), and this registration is free of charge. This should not be confused with registration as a self-employed worker (Social Security), which involves a monthly fee."

What should invoices include?

- They must include VAT. According to Binding Resolution V2463-18 regarding Article 20 of Law 37/1992 of 28 December, sign language interpretation professionals must apply a 10% VAT rate.

> *"Consequently, this Directorate informs you that since the applicant, a natural person, does not have the status of a private social institution under the terms established in Article 20.Three of the Law, the services provided as a communication mediator (sign language interpretation) are subject to and not exempt from Value Added Tax. The applicable tax rate is the reduced rate of 10 per cent."*

https://www.iberley.es/resoluciones/resolucion-vinculante-dgt-v2463-18-12-09-2018-actividad-interprete-signos-sujeta-no-exenta-iva-1478378

- They must include Personal Income Tax (IRPF). The general withholding tax rate is 15%.
  - If it is the first time issuing invoices, a reduced withholding tax rate of 7% may be applied during the first three years. After this period, the withholding rate will be 15%.
  - Invoices issued to private individuals do not include withholding tax.
  - If invoices issued to private individuals do not exceed 70% of total turnover, it is not necessary to submit Form 130 for personal income tax.
  - It is advisable to ask companies to provide withholding tax certificates in order to verify that their declarations match our invoicing records.
  - The annual personal income tax return is filed using Form 100.

What obligations does issuing invoices entail?

- Since invoices must always include VAT, it is mandatory to declare and settle it using the following forms:
  - Form 303: This is the quarterly VAT return. It can be submitted until the 20th day of the month following the end of each quarter and, for the fourth quarter, until 30 January of the following year.
  - Form 390: This is the annual VAT return. It is a summary of the four quarterly Form 303 returns submitted during the year and can be filed until 30 January of the following year. The amounts declared in Form 390 must exactly match the four quarterly Form 303 returns and the income from economic activity declared in Form 100 (annual income tax return).
  - Form 100: This is the annual personal income tax return and is submitted between the beginning and the middle of the year.It is advisable to prepare the draft return even if there is no obligation to submit it, as you may be entitled to a refund.

Important note: If expenses have been incurred during the quarters, they may be deducted in Form 303. These amounts must also exactly match those declared in Form 390. These expenses can also be included in the annual income tax return (Form 100), and they do not necessarily have to match the amounts declared in the other forms because Form 100 allows additional expenses that are not subject to VAT (insurance, taxes, Social Security contributions, etc.) as well as per diem expenses, which are usually not declared in Forms 303 and 390 but can be declared in Form 100.

What alternatives are there to avoid issuing invoices?

- If the activity is very occasional, it is possible to issue receipts or fee notes (minutas) for services provided. Fee notes do not include VAT and do not need to be declared. They are considered employment income rather than economic activity, although they are subject to personal income tax. Expenses cannot be deducted from fee notes.

"Issuing one or more invoices, fee notes, or receipts per month is already considered a recurring activity, even if the minimum interprofessional wage is not exceeded."

Is it necessary to register with Social Security if we are already employed by someone else?

- Yes, but reduced contribution rates are available.

> *The Second Additional Provision recognises that certain groups or activities may benefit from special contribution arrangements as a complement to measures promoting self-employment. Specifically, it provides for contribution reductions for self-employed workers who combine self-employment with salaried employment, where the sum of both contributions exceeds the maximum contribution base.*

https://www.boe.es/buscar/act.php?id=BOE-A-2007-13409

- This amount is automatically determined when completing the Social Security self-employment registration form.

How can we deregister from the activity?

- You must complete Form 036 or 037, tick the "Cancellation" box, and select the option corresponding to the cessation of economic activity.

https://sede.agenciatributaria.gob.es/Sede/ca_es/procedimientoini/G322.shtml

- You must access the Social Security web site and deregister as a self-employed worker.

https://sede.seg-social.gob.es/wps/portal/sede/sede/Ciudadanos/Afiliacion+e+Inscripcion

Managing service invoicing is not an easy task if you are not accustomed to it. At ACILS, we recommend always verifying any information you receive with experts and accounting professionals specialised in invoicing, as there are many misconceptions on these issues that can lead to problems due to inadequate information. Above all, if we do not feel capable of managing these procedures ourselves, we should hire an accounting or advisory service to provide guidance and/or carry out the necessary administrative procedures. We would also like to point out that our profession is not widely known and that, occasionally, some accounting firms may provide incorrect information due to a lack of familiarity with our field. For this reason, ACILS also recommends consulting different professionals in order to compare opinions and information.

Useful Links :

References:

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