Dear Vice President, dear Commissioner,

As announced in the letter of December 28th 2018, the Government adopted the 2019 draft State budget law (hereinafter draft budget) on January 11. It was subsequently submitted to Parliament on January 14.

The 2019 draft budget is consistent with a General Government deficit target of 1.3% of GDP. That is, it envisages an overall 1.4 percentage points (pp) nominal adjustment in 2019, compared to 0.9 pp in the Draft Budgetary Plan (DBP).

Out of this 0.5 pp additional adjustment, 0.1 pp will correspond to the Central Government, 0.2 pp to the Regions and 0.2 pp to Social Security.

The draft budget includes all the measures that were already communicated in the DBP submitted to the European Commission on October 15, 2018. In parallel some other new measures have been adopted, the most relevant of which is the increase in a series of Social Security contributions to provide an additional 1.7 billion euros in revenues.

On January 18 the Government approved the submission to Parliament of the Draft Laws establishing the new Tax on Financial Transactions and the new Tax on Certain Digital Services. As you know, these new tax figures are in line with the proposals formulated by the European Commission.

Parliamentary procedures concerning the draft budget should follow the calendar foreseen by Congress, according to which final adoption by Parliament could take place by mid-April. These clarifications illustrate that the draft budget does not present significant differences with respect to the DBP submitted on October 15, 2018. Thus, according to the Two Pack, the submission of an updated DBP seems unwarranted.
Let us reassure you that Spain is fully committed to complying with the obligations stemming from our common rules. As always, we stand ready to provide Commission services with all further technical information that may be requested. In any case and according to the provisions in the Stability and Growth Pact, the 2019-2022 Stability Programme and National Reform Programme will be submitted in April.

Yours Sincerely,

[Signatures]

María Jesús Montero
Minister for Finance

Nadia Calviño
Minister for Economy and Business