Generalitat de Catalunya
Government of Catalonia

NET CRAMAN
ABOGADOS

TAX HIGHLIGHTS IN SPAIN

1. Corporate Tax

The general Corporate Tax rate is 25 %. This rate is close to the Euro area average. By way of example, Spain taxes the profits of companies at the same rate as Belgium or the Netherlands, and below other countries such as France.

In addition, in order to foster certain activities, there is a wide range of tax reliefs and rebates, especially in the field of research.

Newly created companies currently benefit from a reduced Corporate Tax rate of 15 % in the first two years, up to 300,000 € of profit. Likewise, in order to make the creation of new businesses even more attractive and to stimulate entrepreneurship, a new law, known as the “start-up law”, is being processed. This regulation shall set the rate of 15 % of Corporate Tax in the first year in which there is a positive tax base, i.e., the company has a profit, and the next three years, provided that it qualifies as a start-up, and with the possibility of deferring the debt.

This new law also makes it easier for foreigners to invest in start-ups, as it removes the requirement to obtain a Foreign Identification Number (NIE) to invest in start-ups. As regards investors resident in Spain, they shall benefit from higher personal income tax deductions and exemptions for stock options: the exemption shall amount to 45,000 € per year and a deduction of 40 % may be made on the investment, with a maximum base of 100,000 €.

This demonstrates the work of the various administrations to promote and attract talent in Spain, especially by supporting wealth creation and the development of innovative activities.

2. International Hub for Businesses

Spain is one of the best internationally positioned states at tax level. It currently has 99 Conventions to avoid double taxation (DTC) signed with other States. There is a very close relationship with Latin American countries, making Spain a very attractive country as a platform for investment in these countries.

In addition, the Corporate Tax Act sets forth that dividends received from foreign entities are exempt (where the shareholding exceeds 5 %), as well as the exemption of gains from the sale of shares in foreign entities (subject to the same requirements above).

Spanish legislation also provides for ETVE (Spanish acronym for foreign securities holding entities). This figure is intended for companies whose activity is the management and administration of stock portfolios abroad, which hold at least 5 % of the capital of the investee companies (for at least one year on an uninterrupted basis), and which have their own material and personal resources to carry out that management and administration activity. Compliance with these requirements shall result in the exemption of dividends received. However, residents of a tax haven shall not be able to benefit from this discharge.

3. Business Restructuring. Fiscal Neutrality

In the field of corporate restructuring, Spanish and European legislation provides for a system of fiscal neutrality in order to avoid the taxation of such transactions. In particular, tax neutrality is established for mergers, divisions, transfers of assets, exchanges of securities and changes of registered office, provided that they occur for a valid economic reason (e.g., better management or higher profitability).

4. Beckham Law Scheme

Spanish personal income tax legislation establishes a special scheme for workers posted to Spanish territory, commonly known as “Beckham Law”. This special scheme applies to persons who have been posted to Spain for employment reasons (for a posting ordered by a foreign company or a new contract signed with a company in Spain), provided that they have not been tax resident in Spain in the previous 10 years; they may opt for this scheme during the year of their posting and 5 years thereafter.

This scheme allows labour income to be taxed at a rate of 24 % up to 600,000 € and 47 % for the amount exceeding that figure, and for other income earned in Spain (no other income earned abroad shall be taxed in Spain).

This scheme aims to attract foreign talent, avoiding that tax barriers are a problem to establish themselves in Spain.

5. RD&D / Patent Box

The Patent Box is a tax incentive consisting of a 60 % reduction in net income (income - expenses) from the sale of an intangible asset (patents, industrial designs, utility models, know-how). This is very useful for innovative companies such as start-ups.

The Corporate Tax Act allows deductions to be applied to companies engaged in research and development. Specifically, in R&D there is a 25% deduction and in technological innovation a 12 % deduction is allowed. With the adoption of the new start-up law, these percentages are expected to increase to 40 % and 25 % respectively.

It should also be noted that, under Royal Decree-Law 23/2020, the freedom of depreciation up to a maximum of 500,000 € is allowed in investments made in the sustainable and connected electric mobility value chain.