TAXES IN EUROPE

2024

24, Rue de Londres - 75009 Paris - France Tel:
+33 (0) 1 44 15 95 23 -
www.eaiinternational.org

Spain

Capital city:
Madrid

Area:
505,911 km^2

Population:
47,498,206

Language:
Spanish (Catalan, Basc,Galician)*

Political system:
Parliamentary monarchy

GDP/capita 2023:
USD 46,332

Currency:
Euro

ISO Code:
ESP

Telephone code:
+34

National day:
12 October

*Basc, Catalan and Galician are also official languages in their territories

Spain

The basic structure of the Spanish taxation for 2025 remains the same as in previous years. However, it must be remembered that from 2022 some companies have to pay at least 15% of their tax base as Corporate Tax even if they have deductions or other tax benefits that could theoretically reduce it to a lower effective taxation (see section 1.12).

New for 2025: in response to the demands of the OECD and the EU, large multinationals will have to assume a global minimum tax of 15%, in order to prevent the large groups from reducing the tax cost by transferring profits to lower-tax areas (see section 1.13).

From 2023, on individuals there is a tax called “Tax of solidarity of the great fortunes” (see section 4 bis).

The rest are only minor changes concerning the tax scale in the personal income taxation (see section 2.4), the bases for the calculation of the social security contributions (see section 2.9),and a new reduced tax rate in Corporate Tax (see section 1.9).

Every year, before the end of the year, with effects for the following year, the Spanish Government must obtain the Parliament’s approval to a law of general budgets by means of which certain fiscal items, such as applicable tax rates, deductions, etc. are updated and modified.

Because of the general political situation, by the time of writing this document, the Spanish Parliament has not yet approved the budget law corresponding to the year 2025. In this case, the law of general budgets of the previous year, renews automatically and will be in force until a new law is published.

1. Corporate taxation

1.1 Taxes on entities

Legal entities are subject to corporate income tax on their profits. There is no wealth tax for legal entities.
There is a capital duty, but currently all contributions for raising capital are exempt.
There are also social security contributions which are mainly paid by the companies (please see 2.8).

1.2 Residence and non-residence

All companies are considered separate legal entities under Spanish law and are subject to Spanish taxes. It includes all types of commercial companies. The most common are SA, SL, and cooperatives.

A company is treated as resident in Spain if it fulfils any one of the following criteria:

- The company is incorporated in Spain;
- The company has its headquarters in Spain;
- The center of effective control and management is in Spain.

A company resident in Spain is subject to tax on all its worldwide income.

Non-resident companies are subject to tax on income of non-residents in Spain, on certain Spanish source incomes. The most important sources are income from a permanent establishment in Spain and income from Spanish real estate. Certain economic activities or services made without permanent establishment may be subject to the same tax. There are several cases of exempt income.

1.3 Tax year and filing

The tax year in Spain is the calendar year. However, a company may file a return based on its own financial year. The tax return period must not exceed 12 months.

Tax return and payment are due six months and 25 days after the financial year-end. During the fiscal year, companies are obliged to three payments on account of the final tax on precise due dates.
It is important to consider that due dates must be extremely observed. Any delay is object of severe penalties.

1.4 Types of income

The tax base is the accounting profit as shown in the company's financial statements, though some adjustments are required by Spanish tax law.

The main adjustments are:

- **Adjustments increasing profit:**

  - non-deductible expenses;
  - financial costs of debts to other group entities;
  - financial expenses exceeding 30% of operating profit;
  - excess depreciation and amortization;

- limitations to amortization;
- certain provisions;
- excess impairment losses;
- operations that for tax purposes should be valued by market value;
- recovery of accelerated depreciation made in previous years;
- recovery of deferred income for reinvestment of extraordinary income;
- recovery of excess depreciation from previous years in leasing transactions;
- recovery of tax income from operations with payment deferred;
- recovery value of the items that generated tax losses in a previous transmission;
- income allocation in the case of international tax transparency;
- impairment of goodwill when the amount thereof has been included in the taxable income of previous years;
- recovery of "Nivelación" reserve.

• **Adjustments reducing profit:**

- accelerated depreciation;
- depreciations, provisions and losses that were not deductible in previous years;
- transfer of use to third parties of certain intangible assets;
- deferred settlement transactions;
- leasing transactions;
- exempt dividends and capital gains from investments in subsidiaries;
- revenue earned abroad through a permanent establishment;
- dividends paid by companies that were taxed by the rules of tax transparency;
- correction of the tax value of goodwill;
- financial expenses not deducted in prior periods for exceeding the limit on operating profit;
- reduction in revenue from certain intangible assets;
- allocation for "nivelación" reserve;
- allocation for "Capitalización" reserve.

1.5 Group income and grouping arrangements

A company can form a fiscal consolidation with its Spanish subsidiaries, provided that owns 75% or more of the subsidiary.
There are several conditions attached.
The tax consolidation rules will apply if there is an agreement in all and each of the entities that must integrate it. The agreements must be adopted before the year in which it must be effective.
For the year 2025, the corporate tax in the fiscal consolidation regime introduces some changes in the determination of the tax base and the compensation of negative tax bases.

1.6 Capital gains

Capital gains are treated as ordinary income.
Capital gains are calculated as the difference between the net book value and the sale price.

1.7 Losses

Tax losses may be offset with no time limit.
There is a quantitative limit to offset tax losses: 70% of the profit of the following exercises.
In any case, tax losses may be offset up to EUR 1,000,000.

In some case, when the majority of the share capital has been acquired, previous tax losses cannot be offset. Accounting records must be kept for justification in case of tax audit by authorities.

1.8 Exemptions

- Exemption to eliminate double taxation. Dividends and income derived from transmission of securities are exempt if the holding in share capital is not less than 5%. Important: since 2021, this is not a full exemption; only 95% of dividends and income derived from transmission of securities will be exempt. (Other requirements must be observed: e.g. holding period: 1 year; foreign subsidiary must be subject but not exempt to a tax on profits of companies, analogous than the Spanish tax on profits of companies.)

Note 1. Only since 2021 to 2025, there is a set of transitional rules for dividends and income derived from transmission of securities whose the holding in share capital is less than 5% but its acquisition cost exceeds EUR 20,000,000.

Note 2. In some cases the exemption will be full: turnover less than EUR 40,000,000 and dividends from new companies set up after January 1, 2021 received in the first three fiscal years.

- Reduction of income from certain intangible assets. The cession of the use or exploitation of patents, designs, plans, secret formula or process, and other industrial, commercial or scientific information could be reduced by 60%.

- “Capitalization reserve”. The companies that pay tax at the standard rate can reduce the tax base by 10% of the increase in equity. Some requirements must be observed: the increase in equity must be maintained for 5 years (except in case of losses); to provide a special reserve; the maximum amount of the reduction is 10% of tax base before reduction.

1.9 Rates

On resident companies

	2024	2025	2026
General rate of tax	25%	25%	N/a
Reduced general tax rate. From 1st January 2023, only for companies with a turnover less than EUR 1,000.000 ((not applicable to mere property holding companies)	23%	N/a	N/a
Reduced general tax rate. Only for companies with a turnover less then EUR 1,000,000			
-part of the taxable base to €50,000	N/a	21%	17%
-remainder of the taxable base:	N/a	22%	20%

Other rates of tax

Cooperatives fiscally protected	20%
Non-profit organizations	10%
Investment companies with variable share capital	1%
Credit institutions	30%
Research and exploitation of hydrocarbon deposits	30%

On non-resident companies

Rates to a non-resident company with a permanent establishment in Spain are the general rates on resident companies.
Rates to a non-resident company without a permanent establishment in Spain are:

General rate	24%
General rate for companies resident in another EU country	19%
Tax on capital gains	19%
Tax on interest and dividends	19%

1.10 Double tax relief

a) Dividends paid by a Spanish company to a non-resident parent company: Profits distributed by subsidiaries resident in Spanish territory to their parent companies resident in other Member States of EU are exempt from Spanish taxation.

Some requirements must be observed:

- both companies should be subject and not exempt from any tax on profits;
- the distribution of profit cannot be the result of the liquidation of the subsidiary;
- will be considered as a parent company when it holds at least 5% in the capital of another company;
- minimum holding period: 1 year.

Tax treatment of dividends between parent company not resident in the E.U. and its Spanish subsidiary: the dividends paid by the subsidiary will be subject to income tax and withholding tax in Spain unless there is an international agreement between the two states that stipulates otherwise.

b) Dividends received by a Spanish company (Deduction for international double taxation).

   When dividends paid by a non-resident entity in Spanish territory are counted in the taxable base of a Spanish company, the Spanish company can reduce the tax paid by the non-resident. Requirements that must be observed:

   - the share on capital of subsidiary must be at least 5%;
   - minimum holding period: 1 year;
   - maximum deduction: the tax that would have been paid in Spain for the benefits that have generated the received dividends (since 2021, there is a change on how to calculate this amount);
   - this deduction is not compatible with the exemption to eliminate double taxation.

1.11 Tax deduction

- Deduction for activities in R&D&I: An 8%, 12%, 17%, 25%, 42% (depending on the case) deduction is allowed for the costs of Research & Development &Technological Innovation carried out during the financial year. Original research and planning with the object of the discovery of new knowledge, as well as the application of the results for making new materials or products, or the conception of new procedures or production systems, are considered as research and development. Research and development costs consist of everything including immaterial expenses as well as depreciation of assets used solely for research and development.

- Deduction for investments in films, audio-visuals series, live performing arts and music performances. EUR 1,000,000: 30%. Above EUR 1,000,000: 25%. There are many requirements that must be observed and there are many limitations to its application.

- Deduction for creating jobs for handicapped employees. If the company increases the average of handicapped employees, it may be deducted: EUR 9,000 or EUR 12,000 multiplied by the average increase.

The set of all deductions is limited to a percentage between 25 and 50% of tax liability. The difference may be carried over the next fifteen years (eighteen years for the R&D&I deduction).

1.12 Minimum taxation

Since 2022, companies must pay a minimum tax regardless of deductions or other tax benefits. This is applicable to companies which previous year's turnover is EUR 20,000,000 or higher and to companies taxed under the fiscal consolidation system regardless of their net turnover.

Minimum taxation: 15% on tax base.

1.13 Complementary tax for large groups

It's purpose is to regulate an additional tax to the corporate taxation that guarantees minimum effective taxation of the income of a large multinational or national group, obtained in those jurisdictions with a low tax level.
Minimum global taxation:15% on global tax base.

2. Personal income taxation

2.1 Taxes on income

The most important taxes are:

- income tax: labour income, income from business activities, income from professional activities, income from capital, income from real estate and capital gains and losses;
- social security contributions paid by employees.

2.2 Residence and non-residence

A person is considered as a resident of Spain if he fulfils one of the following conditions:

- the individual has spent more than 183 days in the course of the tax year in Spain; temporary absences do not cause an individual to be treated as a non-resident, unless it is proved that the individual has spent 183 days or more in another country;
- the individual has his principal residence or his main business activities in Spain.

There are also two specific rules:

- an individual is treated as resident in Spain, if the individual's spouse and any minor dependents are resident in Spain and unless he can prove the converse;
- when an individual has his principal residence in Spain and moves his

residence to a tax-haven, he is considered a Spanish resident during the current year and the following four years.

A person who is a resident in Spain is subject to income tax on his or her world-wide income.

The non-resident in Spain is subject only to tax on income arising in Spain. Exceptionally, there are some categories of income which are exempt from tax in Spain. These include interest, capital gains on chattels receivable by a resident of another EC state who does not have a permanent establishment in Spain.

2.3 Tax year and filing

The tax year is the calendar year.
The tax return should be filed between 2 April and 30 June after the end of the tax year concerned. Is possible to pay the 60% before 30 June and the 40% to 5 November.

2.4 Types of income

- income from labour;
- income from business and professional activities;
- income from capital;
- income from real estate;
- income from capital gains and losses.

Income from labour includes wages and salaries, fees of directors and administrators. There are some reductions to calculate the net labour income.

Income from business and professional activities includes all income and expenses related to the activity.

Income from capital includes interest, dividends and other income from movable and intangible assets.

Income from real estate includes the income from the assignment of the use of the real property.

Income from capital gains and losses includes the income from the sale of real estate and in some cases from the sale of movable property.

There are two tax bases: the general tax base and the savings tax base:

- income taxed to the general tax base: labour income, income from bu-

siness and professional activities, income from real estate, some income from capital and some capital gains and losses;
- income taxed to the savings tax base: most of the capital gains and losses and most of the income from capital.

There are two tax scales:

- the tax scale applicable to the general tax base;
- the tax scale applicable to the savings tax base.

Tax scale applicable to the general tax base:

Band of income (EUR)	Rate on band (%)*
0 to 12,450	19
12,450 to 20,200	24
20,200 to 35,200	30
35,200 to 60,000	37
60,000 to 300,000	45
Above 300,000	47

* In some autonomous communities, there may be a variation between -1% to +4%, depending on the tax bracket.

Tax scale applicable to the savings tax base:

Band of income (EUR)	Rate on band (%)*
0 to 6,000	19
6,000 to 50,000	21
50,000 to 200,000	23
200,000 to 300,000	27
Above 300,000	30

2.5 Capital Gains

Please see on 2.4 Types of income: Income from capital gains and losses.

2.6 Losses

In general, losses can only be offset against income of the same type.
The losses that cannot be offset in the same year may be settled on the following four years.
There are other requirements that must be observed.

2.7 Exemptions

There are some specific exemptions in respect of personal income taxation: reductions for obtaining irregular income over time; reducing the income from the lease of buildings for housing; severance pay; salaries of expatriates.

2.8 Allowances and rates

Deductions	Amount (EUR)
Personal allowances	
General	5,550
For Individuals aged over 65	5,550 + 1,150 = 6,700
For individuals aged over 75	5,550 + 1,150 + 1,400 = 8,100
Handicapped individuals	From 3,000 to 9,000
Per elderly dependent relative over 65/75	1,150 / 2,550
Descendant	
First child	2,400
Second child	2,700
Third child	4,000
Fourth (and each subsequent) child	4,500
Others	
Child aged under 3	2,800
Per handicapped parent or child	From 3,000 to 9,000
Maternity: (only for working mothers)	1,200 (for each child aged under 3)

(1) Each autonomus region can increase the amount.
(2) Descendant: Descendant, under 25 or disableb, who lives with the taxpayer and who does not have an annual income above EUR 8,000Deduction

Deduction from income

The main deductions are as follows:

- donations: 10% to 30% of the sum paid.

It is possible for every autonomous region to put in place other deductions.

2.9 Social security

CONTRIBUTION BASES FOR COMMON CONTINGENCIES			
contribution group	professional categories	minimum base	maximum base
		EUR/month	EUR/ month
1	Engineers. Graduates. Senior management personnel.	1,929.00	4,909.50
2	Technical Engineers. Experts and Assistants Graduates	1,599.60	4,909.50
3	Administrative and workshop managers	1,391.70	4,909.50
4, 5, 6, 7	others	1,260.00	4,495.50
		EUR/day	EUR/day
8, 9, 10, 11	others	46.0	163.65

CONTRIBUTION RATES (%)	company	employees	total
Common contingencies	23.6%	4.7%	28.3%
Unemployment	5.5%	1.55%	7.05%
Wages Guarantee Fund	0.2%	0.0%	0.2%
Professional training	0.6%	0.1%	0.7%
Total	29.9%	6.35%	36.25%

	daily	monthly	annual
Minimum wage (EUR)	**39.47**	**1,184.00**	**16,676.00**

CONTRIBUTION BASES	minimum base	maximum base
	EUR/month	EUR/month
SELF-EMPLOYEES (EUR)	950.98	4,909.50

CONTRIBUTION RATES SELF EMPLOYEES (%)	30.60

2.10 Expatriates

There are tax advantages for Spanish-resident employees who are sent abroad to work, without losing the Spanish residence:

- The salaries of expatriated people are exempted (maximum EUR 60,100).
- In some cases, excess wage in relation to the usual salary in Spain is exempt. (both are incompatible).

Non-residents becoming residents

They have also the option to apply the non-resident system in the year of the residence change and the next 5 years, if their income is lower than EUR 600,000. There are other requirements that must be observed.

2.11 Options

Are considered earned income in kind. Are obtained and are valued at the time of exercising the option. The yield is the difference between the market value of the action and the acquisition cost of the option.
There is an exemption of EUR 12,000 per year if certain requirements are met.
As other income that are generated in over 2 years, shall apply a reduction of 30% of revenues, provided that such revenues are attributed to one year. If the income exceeds EUR 300,000 the reduction decreases.

2.12 Partnerships

Income from joint ownership and from civil companies without commercial activity are recognized directly in the partner income tax.

2.13 Pensions

The contributions to pension plans, which have been allocated as earned income, reduce the tax base. Maximum reduction, the smaller of:

- EUR 1,500 per year for individual contributions plus EUR 8,500 for company contributions;
- 30% of net labour income.

3. Inheritance and gift tax

Gifts and inheritances are subject to tax in Spain.

3.1 Residents and non-residents

Only natural persons are taxable persons.
All people who have their habitual residence in Spain will be required to tax, regardless of where the assets or rights acquired gratuitously are situated.

Non-residents will have to pay the Inheritance and Donations Tax for the acquisition of all assets and rights that were located or had to be exercised in Spanish territory. Also, for the perception of amounts derived from life insurance contracts when the contract has been made with Spanish insurance companies or has been concluded in Spain with foreign entities operating in it.

3.2 Rates

The rates depend on the relationship of the recipient to the donor/deceased and the amount received.
In Spain, there is a general tax, but each region has its own tax. There are significant differences between taxes in each region.
Each region can set up reductions, deductions and their own rates.
Some regions have a substantial deduction of 99% applied to the first degree of relationship (descendant and spouse).
A non-resident will pay tax on goods inherited and located in Spain according to the general Spanish tax.

There are reductions on the taxable base, determined based of kinship, age and handicap. (these reductions do not apply to inter vivos gifts).

There is a reduction of 95% of the value of the following assets:

- Unincorporated businesses or shareholdings in companies, with the following conditions:

    - the beneficiary must be the surviving spouse or a descendant;
    - the asset must have been held for a minimum of 10 years.

additionally, in the case of shares in a company:

- the shareholding must be 5% or more as individual, or 20% with family;
- the taxpayer or a member of the family must have run the business, which must have provided 50% or more of his earned income;
- the business must have a trading activity.

In the case of gifts, the same relief is available provided the conditions are fulfilled and the donor is over 65 years and ceases to run the business and receiving the associated remuneration.

- Main residence, with the following conditions:

    - the beneficiary must be the surviving spouse or a descendant;
    - they must hold the property for at least 10 years;
    - the limit is EUR 122,606 per beneficiary.

The tax establishes a progressive tax scale, divided into sixteen stretches taxed at a tax rate which goes from 7% to 32%.

On the gross tax a multiplier is applied, determined based on kinship and on the heritage the receipient has ecipient. They are between 1 and 2,4.

This fee applies, in general, to all variants of the obligation to contribute by ISD, regardless of the taxable event (acquisitions mortis cause, inter-vivos or arising from contracts of life insurance).

In a tax donation, there is a reduced tax scale (from 5 to 9%) to apply in donation to spouse, descendants and ancestors by deed.

4. Tax of solidarity of the great fortunes

It is a new tax approved by the Spanish government on December 28, 2022.
It is a direct, personal and complementary tax of the Wealth Tax.
It taxes the wealth greater than EUR 3,000,000 owned by individuals.
To determine the taxpayers, tax base and exemptions, it uses the same rules as the wealth tax.
For residents in Spain there is an exempt minimum: EUR 700,000 (there is no exempt minimum for non-residents in Spain).

Tax scale:

Band (EUR)	Rate on band (%)
0 to 3,000,000	0
3,000,0000 to 5,347,998.03	1.7
5,347,998.03 to 10,695,996.06	2.1
Above 10,695,996.06	3.5

Deduction: the Wealth Tax effectively paid.

Limit for the tax: when the addition of the Personal Income Tax, plus the Wealth Tax, plus the Tax of Solidarity exceeds the 60% of the personal income tax base, the Tax of Solidarity will be reduced until this limit. The reduction cannot exceed the 80% of the Tax of Solidarity prior to the reduction.

Non-residents in UE must designate a legal representative, individual or corporate, resident in Spain, to act before the Tax Administration.

5. Value Added Tax

5.1 Spatial scope

The spatial scope of the tax is the Spanish peninsular territory and the Balearic Islands, including the adjacent islands, the territorial sea up to the limit of 12 nautical miles and the corresponding airspace for all these territories. The Canary Islands and the territories of Ceuta and Melilla are excluded from the spatial scope of the tax.

5.2 Rates

- Standard rate 21%.

- Reduced rate 10%:

  - food;
  - public services;
  - services of agriculture and forestry;
  - optical supplies;
  - radio and television;
  - water;
  - sanitary supplies;
  - glasses;
  - domestic buildings;
  - passanger transport;
  - hotels;
  - pharmaceutical products for animals;
  - movie and theatre tickets.

- **Reduced rate 4%:**

  - bread;
  - pharmaceutical products for humans;
  - cars and other items adapted for use by handicapped people;
  - milk;
  - social housing;
  - cheese;
  - eggs;
  - fruit and vegetables;
  - books and periodicals;
  - feminine hygiene products;
  - download books, newspapers and digital journals.

Some supplies are exempt from VAT. For example, provisions of public services (mail, hospital, social services, etc.), education, insurance, residential renting services, etc.

5.3 Distance selling to an individual located in Spain by a company located in the European Union.

They are taxed in destination (Spain) if the followings requirements are met:

1. Transportation made at the risk of the seller.
2. Recipient not identified with a community VAT number.
3. Goods. All goods except new vehicles, goods subject to installation and assembly, used goods, objects of art and antiques.
4. The total selling amount made by the same seller to Spain has exceeded EUR 35,000 in the previous year or in the same current year. The seller can choose in his country to pay at destination from the first delivery.

Note: Do not confuse; in this kind of selling, the Special Taxes on alcohol or on tobacco have to be paid in Spain from the first delivery.

6. Other taxes

Transfer tax and stamp duty

Transfer of property, when VAT does not apply to capital transfers:

- transfer inter vivos of any type of property or rights owned by individuals or legal entities;
- formation of rights, secured loans, leases, pensions…

Corporate transactions:

- formation and increase of capital (exempt from December 2010);
- decrease of capital;
- merger (can be exempt);
- contribution made by partners and shareholders;
- transfer in Spain of the head office or registered office of a company not already situated in an EU member state.

Legal documents:

- notarial deeds, business and administrative documents.

Rates

- transfer of property:
    - land and buildings 6% (10% or 11% in some autonomous regions);
    - movable property, etc. 4%;
    - secured loans 1% (1.5% in some autonomous communities).
- corporate transactions 1%.
- legal documents 0.5%.

Legal documents 0.5%. Generally, the rate is 0.5% but autonomous regions can modify the imposition of rates rules fixed by law.

Property tax

The municipal tax on the real property. It accrues annually.

Tax on the increase in value of urban land

This is a municipal tax. It accrues on all transmissions of urban land. It taxes the increase in value of urban land. It may be significant.

Business tax

This is a municipal tax on economic activities. It accrues annually. The tax to be paid depends on the activity and it's calculated, basically, on installed potency and surface used. There is an exemption for companies which have a turnover (sales) lower than EUR 1,000,000 and for all individual employers.

Special taxes

The Special Taxes are indirect taxes that levy the manufacture, importation and introduction in the Spanish territorial scope of the products subject to taxation. They are Special Taxes:

1. Special Tax on Certain Means of Transport.
2. Special Manufacturing Taxes: the Tax on Hydrocarbons, the Tax on Tobacco; the Tax on Alcohol and Alcoholic Beverages (beer, wine and fermented beverages, intermediate products and alcohol derivatives).
3. Special Tax on Electricity.
4. Special Tax on Coal.
5. Environmental taxes: tax on fluorinated greenhouse gases, special tax on non-reusable plastic containers.

7. Foreign income

The Spanish system for double tax relief may be exemption or deduction on the total tax, depending on the case.

Emili Coll i Collet

Contact

ACTIVA AUDITORIA & CONSULTORIA S.L.P.
Avinguda de Roma 157, 3a planta
08011 BARCELONA
Tél. +34 93 415 16 17
Fax +34 93 238 54 16
E-mail : emili.coll@activa-ac.com
Site Web : activa-ac.com
Emili COLL i COLLET

ACTIVA AUDITORIA & CONSULTORIA
Calle Serrano 63
Esc 1, 6° Derecha
28006 MADRID
Tél. +34 91 793 62 96
E-mail : emili.coll@activa-ac.com
Site Web : activa-ac.com
Emili COLL i COLLET
Marcel CASANY