Our Guide to Comprehensive Tax Compliance in Spain

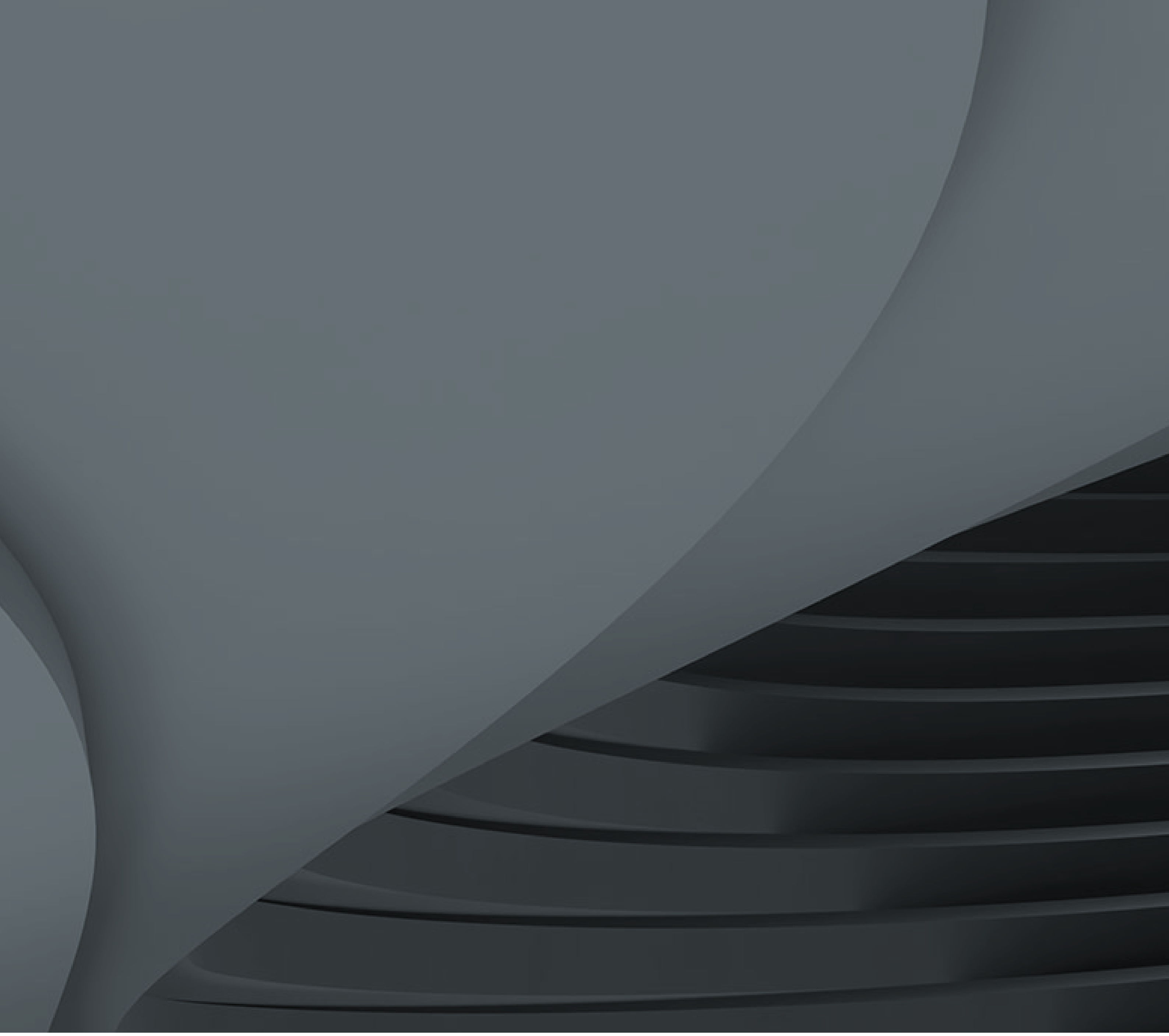
Tax

FAQs

What are the main taxes in Spain?	The Spanish tax system is divided into direct taxes, which apply to income and wealth, and indirect taxes, which affect the consumption of goods and services. Among the **direct taxes**, the main ones are: 1. Personal Income Tax (IRPF); 2. Corporate Income Tax (IS); 3. Non-Resident Income Tax (IRNR); 4. Wealth Tax (IP); 5. Inheritance and Gift Tax (ISD). Among the **indirect taxes**, the most relevant are: 1. Value Added Tax (IVA); 2. Transfer Tax and Stamp Duty (ITP and AJD).
What does Corporate Income Tax (IS) apply to?	It is a tax levied on the profits of entities residing in Spain.
How is the tax residence of a company determined for IS purposes?	A company is considered tax resident in Spain if it meets any of the following criteria: • It has been incorporated under Spanish law. • Its registered office is in Spain. • Its place of effective management is in Spain.
What is the corporate tax rate in Spain?	The general corporate tax rate is 25%, with the following exceptions: • **Microenterprises** (turnover <1M€): 21% on the first 50,000€ of taxable income and 22% on the remainder. • **SMEs** (turnover between 1M€ and 10M€): 24%, decreasing by one point annually until reaching 20% in 2029. • **Newly established companies:** 15% during the first two tax years with positive taxable income. • **Startups:** 15% in the first tax year with positive taxable income and the following three years if they maintain their emerging company status. • **Non-profit organizations:** 10% if they comply with Law 49/2002. • **Investment companies** (SICAV and similar): 1% under certain conditions.
When is corporate tax accrued?	It is accrued on the last day of the tax period, which must coincide with the company's financial year and cannot exceed 12 months. If the tax period matches the calendar year, the tax is accrued on **December 31**.
What is the deadline for filing and paying Corporate Income Tax?	It must be filed within **25 days following the six months after the end of the tax period.** In most cases, if the company's fiscal year ends on December 31, the deadline for filing is **July 25** of the following year.

What tax forms are used for Corporate Income Tax?	• **Form 200:** Used by all taxpayers subject to common corporate tax regulations, regardless of their activity or company size. It must be submitted electronically. • **Form 202:** Required for advance corporate tax payments, applicable to companies with positive taxable income in the previous year. It must be filed electronically in **April, October, and December** of the current tax year. • **Form 220:** Mandatory for tax groups, filed by the parent entity.
What is VAT, and how does it apply in Spain?	Value Added Tax (VAT) is an indirect tax levied on the sale of goods and services. There are three VAT rates: • **General rate (21%):** Applied to most goods and services. • **Reduced rate (10%):** Applied to food, transport, tourism, and certain cultural activities. • **Super-reduced rate (4%):** Applied to essential goods such as bread and medicine. VAT is borne by consumers, but businesses and self-employed professionals must collect and remit it periodically to the Tax Agency using the corresponding tax forms.
How is VAT filed, and how often?	VAT is reported using **Form 303**, which is filed **quarterly or monthly**, depending on the type of taxpayer. Companies with a turnover exceeding **6 million euros** must file monthly. Additionally, an annual summary must be filed using **Form 390**, which consolidates all transactions for the year and must be submitted by **January 30** of the following year.
What types of income are subject to Personal Income Tax (IRPF)?	The following types of income are subject to IRPF: • **Employment income** (salaries, pensions). • **Income from real estate and financial assets.** • **Income from business activities.** • **Capital gains and losses** (real estate sales, investments, etc.). .
When and how is the IRPF return filed?	The annual tax return is filed between **April and June** of the following year through the Spanish Tax Agency, either online via **Renta Web** or at designated offices.
What are the criteria for determining tax residence in Spain?	An individual is considered a tax resident in Spain if at least one of the following conditions is met: 1. Spending more than **183 days** in Spain in a calendar year. 2. Having the **main center of economic activities** in Spain. 3. Having their **primary family ties** in Spain (spouse and dependent minor children).
What is a Foreign Securities Holding Entity (ETVE)?	ETVEs are Spanish companies whose main activity is holding and managing shares in non-resident entities. They benefit from a special tax regime that exempts dividends and capital gains from taxation, provided certain conditions are met. This regime aims to promote international investment from Spain, avoiding double taxation and providing tax advantages for multinational groups.

What conditions must an ETVE meet to qualify for the special tax regime?	To benefit from the special tax regime, the ETVE must meet the following requirements regarding its investments in foreign entities: • **Ownership requirement:** The ETVE must hold at least 5% of the foreign company's share capital, either directly or indirectly, or have an acquisition value of at least 20 million euros. • **Holding period:** The participation must be held for at least one year before distributing dividends or realizing capital gains. • **Taxation of the foreign entity:** The foreign company must be subject to a tax similar to the Spanish Corporate Tax in the year when the profits were generated.
What is the Beckham Law, and who can benefit from this special tax regime?	The Beckham Law is a special tax regime that allows certain foreign workers to be taxed as **non-residents** in Spain for **six years**, applying a **fixed rate of 24%** on income up to **600,000 euros.** Since **2023**, this regime has been extended to **executives, startup administrators, entrepreneurs, investors, and digital nomads,** provided they have not been Spanish tax residents in the previous **five years.**
What is the "7P" special tax regime, and who can benefit from it?	The "7P" tax regime is an **IRPF exemption** for employees working abroad. It allows them to exclude from taxation up to **60,100 euros** annually on income earned for work performed outside Spain, provided that the country where the services are rendered has a **double taxation treaty** with Spain.
What is the Capitalization Reserve and the Equalization Reserve for SMEs?	The **Capitalization Reserve** allows for a reduction in the Corporate Income Tax base by **15% of the increase in equity**, with a limit of **20% of the tax base**, provided that the funds are maintained for three years and allocated to a restricted reserve. For **SMEs**, the **Equalization Reserve** allows for a tax base reduction of **up to 20% or 25%**, depending on whether certain requirements are met. Both incentives promote business capitalization and reduce the overall tax burden.
What are transfer pricing rules, and who do they affect?	Transfer pricing refers to the prices applied in transactions between related entities, such as subsidiaries of the same group, shareholders with significant control, or even family members. Regulations require these prices to be set at **market value** (as if they were between independent parties) to prevent tax advantages. Transfer pricing rules primarily affect **multinational groups** but also apply to companies and self-employed individuals conducting related-party transactions.
What tax incentives exist for investors in Spanish startups?	Under the **Startup Law**, investors in startups benefit from several tax incentives: • **IRPF deduction:** 50% of the investment, up to **100,000 euros per year**. • **Reduced Corporate Tax rate:** 15% instead of 25% during the first years. • **Stock option exemption:** Up to **50,000 euros per year** tax-free. These incentives encourage investment in innovative businesses and facilitate startup financing.



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