

Family Business Regime in Spain

Family businesses in Spain

More than 85% of businesses in Spain are family-owned. This model not only sustains the economy and employment, but also transmits values, commitment and a vision for the future.

A family business is one in which ownership and, in many cases, management is held by one or more families. This implies a direct connection between economic interests and strategic decisions, with a marked character of generational continuity.

Key sectors	• Retail and wholesale trade • Hospitality and tourism • Agri-food industry • Construction and real estate • Professional services and consulting
The tax regime for family businesses	The Spanish tax framework recognises the importance of these companies and establishes incentives to encourage their permanence and succession.
Main applicable regulations	• Law 19/1991, of 6 June, on Wealth Tax: exemption for shares in family businesses, whether wholly owned, bare ownership or life usufruct, provided that the legal requirements are fulfilled. • Law 29/1987, of 18 December, on Inheritance and Gift Tax: reduction of up to 95% of the value of the company in transfers, which in some Autonomous Communities reaches 99%. • Law 35/2006, of 28 November, on Personal Income Tax: tax neutrality on donations of shares, as they do not generate capital gains or losses for the donor if the conditions for a family business are fulfilled.

Tax and transfer requirements

In order for shares in a family business to enjoy the tax benefits provided for in Wealth Tax and Inheritance and Gift Tax, specific conditions must be fulfilled, which vary according to the type of transfer:

Transfers mortis causa (inheritance)

- Assets or shares transferred to the spouse, descendants or adopted children must be held for a minimum period of 10 years after the death of the deceased (unless the heir dies earlier). In some Autonomous Communities, the period is reduced to 5 years.
- The heir or beneficiary is subrogated to the deceased's tax position, including the date and value of acquisition of the assets.
- During this period, no disposition may be made that substantially reduces the value of the estate received.

Transfers inter vivos (gifts)

- a. The donor must be at least 65 years of age or be in a situation of permanent total incapacity or severe disability.
- b. After the transfer, the donor must cease their management functions and stop receiving any remuneration for those functions.
- c. The donee must hold the shares for at least 10 years, unless they die before that period.
- d. The donee may not dispose of the assets in a way that substantially reduces their value, either directly or indirectly.

Coordination with personal income tax

The treatment of personal income tax is closely linked to that of inheritance and gift tax:

- The donor is exempt from personal income tax on the capital gain derived from the transfer of the shares, provided that the requirements of the ISD Law are fulfilled.
- The donee is obliged to subrogate the donor's position, both on the date of acquisition and in terms of the value of the shares received, generating a deferral in personal income tax.

Basic legal requirements for family businesses

1. Real economic activity: at least 50% of the assets must be used for economic activity.
2. Minimum family share: one shareholder must have at least a 5% individual share, or 20% when adding family members up to the second degree.
3. Share in management: at least one family member must hold a management position and derive more than 50% of their income from it.

The exemption only applies to the value of the shares in the proportion corresponding to the ratio between the assets necessary for the exercise of the activity, reduced by the amount of the debts derived from it and the value of the entity's net assets.

Challenges for family businesses

- Generational succession without prior planning
- Family conflicts carry over into the business
- Resistance to change or lack of professionalism
- Difficulties in internationalisation

Advantages of family businesses

- Long-term strategic vision
- Shared culture and values
- Flexibility in decision-making
- Specific tax benefits that ensure the continuity of the business assets

How we can help

At Seegman, we help business families protect their assets, plan for succession, and ensure the continuity of their business through:

- Design of efficient legal and tax structures.
- Succession planning and corporate reorganisation.
- Advice on corporate governance and generational continuity.
- Optimisation of the tax benefits provided by law.

Our experience in commercial, tax and corporate law, combined with a strategic vision, allows us to offer solutions tailored to the specific needs of each family and their business.



This brochure is of an advertising and informative nature. For the provision of professional legal advice you should contact the firm directly through the specialized contacts.

Seegman refers to the company Seegman Servicios Jurídicos, S.L.P., with tax identification number B88144852.

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