

Our guide to Mbappé Law

Mbappé Law: Tax regime in Madrid to attract investment

The **Law 4/2024**, colloquially known as the "**Mbappé Law**", came into force on November 29, 2024, and offers an **income tax deduction** for individuals who establish their tax residence in the Community of Madrid and make certain investments.

Who can benefit from this deduction?	This incentive is designed to attract foreign talent and investment. To access the deduction, three main requirements must be met: 1. The individual must not have been a tax resident in Spain during the last 5 years. 2. They must acquire tax residence in the Community of Madrid starting from January 1, 2024. 3. They must maintain tax residence in Madrid for at least 6 years. This means that those who simply relocate from another autonomous community will not be able to benefit from this deduction.
What investments qualify for the deduction?	Eligible investments are divided into two main categories: 1. Securities representing the transfer of own capital to third parties, such as government bonds, bonds, certificates, and promissory notes. 2. Shares and other securities representing participation in equity, provided they meet the following requirements: - The entity cannot be established or domiciled in a tax haven. - The investor, their spouse, or their relatives up to the second degree cannot own more than 40% of the capital or voting rights in the entity in which they invest. - The taxpayer cannot hold an executive or managerial position, nor maintain an employment relationship within the entity. It is important to note that the investments do not have to be made in Madrid.
How much can be deducted?	The deduction is 20% of the acquisition value of the assets, with no maximum limit. For example, a €1,000,000 investment in shares could generate a deduction of €200,000. This deduction applies to the portion of the tax corresponding to the Community of Madrid; that is, the total tax burden may only be reduced by up to 50% of the total tax liability. This deduction applies on a subsidiary basis if other regional deductions are applicable. Therefore, if a taxpayer cannot fully or partially apply the deduction due to insufficient tax liability (i.e., after applying other regional deductions, the tax liability is €0), the deduction may be applied in the following five fiscal years.
When must the investment be made to qualify for the deduction?	As a general rule, the investment must be made in the year in which tax residence is acquired in Spain, subject to personal income tax in the Community of Madrid, or in the following fiscal year. As a special rule, when the investment is made in securities issued by Spanish entities, the investment may also be made in the fiscal year prior to acquiring tax residence.

What are the risks of losing the deduction?	The deduction will be lost if: • The tax residence is moved out of Madrid before the six-year period. • The assets are sold without reinvesting in another qualifying asset.
Is it compatible with other deductions?	This deduction is not compatible with regional deductions for the acquisition of shares or participations in new entities or for investments in entities listed on the Alternative Stock Market. Additionally, taxpayers under the special expat regime (commonly known as the Beckham Law) cannot simultaneously access the incentive established by the Community of Madrid. It will be necessary to analyze each case's specific circumstances to determine which regime is most favorable.
Conclusion	The new tax regime in Madrid presents a unique opportunity to attract foreign investment and international talent, offering a competitive and flexible incentive. However, it is essential to plan the investment properly and meet the requirements to benefit from the deduction without risks.



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