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Spain's Family Business Tax Regime

Tax

Family businesses in Spain

Family businesses account for 92.4% of companies in Spain. They play a key role in the country's business landscape, employment and the continuity of businesses across generations.

A family business is one in which a family holds a significant ownership interest and is often involved in management. However, being family-owned does not, in itself, qualify a business for tax relief: exemptions and reductions are subject to requirements concerning economic activity, ownership, management functions and remuneration.

Source: Instituto de la Empresa Familiar, "Relevancia y supervivencia de la Empresa Familiar. La Empresa Familiar en España 2025".

Main tax benefits

- **Wealth Tax:** a full or partial exemption may apply to qualifying businesses or shareholdings.
- **Inheritance and Gift Tax:** reductions in the taxable base may apply to certain transfers of businesses or shareholdings by inheritance or gift.
- **Personal Income Tax:** certain qualifying transfers do not give rise to a capital gain or loss for the transferor, without prejudice to the transferee's future tax treatment.

State and regional tax rules

The regime combines Wealth Tax exemptions with relief for transfers of family businesses. For Inheritance and Gift Tax, the applicable Autonomous Community may provide its own reductions, percentages and conditions that differ from the state framework. Each transaction requires an assessment of the applicable regional rules and the combined effect of the relevant taxes.

Main applicable regulations

- **Law 19/1991 on Wealth Tax (Article 4.Eight):** governs exemptions for certain businesses and shareholdings.
- **Law 29/1987 on Inheritance and Gift Tax (Article 20):** provides for a 95% state-level reduction for certain qualifying transfers.
- **Law 35/2006 on Personal Income Tax (Article 33.3):** sets out the treatment of certain gratuitous transfers and circumstances in which no capital gain or loss arises.
- **Regional legislation:** Autonomous Communities may provide specific tax relief. For example, Madrid's Law 3/2026 introduced its own 99% reductions for certain qualifying inheritances and gifts, subject to specific requirements and holding periods.

Tax and transfer requirements

State and regional rules are not identical. The applicable reduction depends on the nature of the business or shareholding, the relationship between the transferor and the recipient, the economic activity requirements and the relevant holding conditions.

Transfers on death (inheritance)

- State legislation provides a 95% reduction for certain qualifying acquisitions of businesses or shareholdings by eligible beneficiaries, subject to statutory conditions.
- As a general rule, the state regime requires the assets or shares to be retained for ten years following death, unless the beneficiary dies earlier, and prohibits transactions that substantially reduce their value.
- Some Autonomous Communities offer different rules. In Madrid, Law 3/2026 introduced a separate 99% reduction for certain qualifying transfers on death, with a five-year holding period and specific conditions.

Lifetime transfers (gifts)

- Under the state regime, the recipient must be an eligible beneficiary and the donor must be at least 65 years old or have legally recognised permanent absolute incapacity or severe disability classified as gran invalidez.
- Where the donor performs management functions, they must cease those functions and the related remuneration upon transfer. Mere membership of the board of directors does not, in itself, amount to performing management functions for these purposes.
- Under state legislation, the recipient must retain the transferred assets or shares and their entitlement to the Wealth Tax exemption for ten years, unless they die earlier, and avoid transactions that substantially reduce their value.
- Regional legislation may provide alternatives with different conditions. In Madrid, Law 3/2026 provides its own 99% reductions, with a generally applicable five-year holding period for qualifying transfers. The corresponding Madrid and state reductions cannot be claimed together; the applicable election must be assessed.

Interaction with Personal Income Tax

- **Inheritance:** a transfer on death does not give rise to a capital gain or loss for the deceased for Personal Income Tax purposes. The beneficiary's tax position and acquisition value are determined under the applicable rules.
- **Gift:** certain gifts meeting the conditions in Article 20.6 of the Inheritance and Gift Tax Law may qualify for the treatment under Article 33.3(c) of the Personal Income Tax Law, so that no capital gain or loss arises for the donor. In such cases, the recipient assumes the donor's tax acquisition value and date. Specific asset-use conditions must also be considered where relevant.

Important: claiming a regional Inheritance and Gift Tax reduction does not, by itself, ensure favourable Personal Income Tax treatment. Both taxes must be assessed together.

Basic legal requirements

1. **Economic activity:** the entity must not primarily manage movable or immovable assets as an investment-holding activity. The law examines the composition of its assets and applies specific calculation rules, including a time-based assessment during the financial year. For property leasing, as a general rule at least one full-time employee under an employment contract must be engaged in managing the activity.
2. **Minimum ownership:** for the Wealth Tax exemption, the taxpayer must hold at least 5% individually or 20% together with the family group defined by law. Certain regional tax reductions apply their own family-relationship rules.
3. **Management and remuneration:** effective management functions must be carried out and the remuneration derived from them must exceed 50% of the relevant business, professional and employment income, calculated under the statutory rules. Where the family group jointly meets the ownership threshold, it is sufficient for one qualifying member to satisfy this condition as provided by law.

Meeting these conditions does not necessarily exempt 100% of the value of the shares: non-business assets may proportionately reduce the amount qualifying for exemption.

Common mistakes that may jeopardise tax relief

- Failing to review whether ownership and management functions continue to meet the statutory requirements.
- Accumulating assets unrelated to the business without assessing their tax implications.
- Planning a gift without reviewing both Inheritance and Gift Tax and Personal Income Tax.
- Undertaking corporate reorganisations without assessing their impact on exemptions and reductions.
- Overlooking holding obligations and deadlines following a transfer.

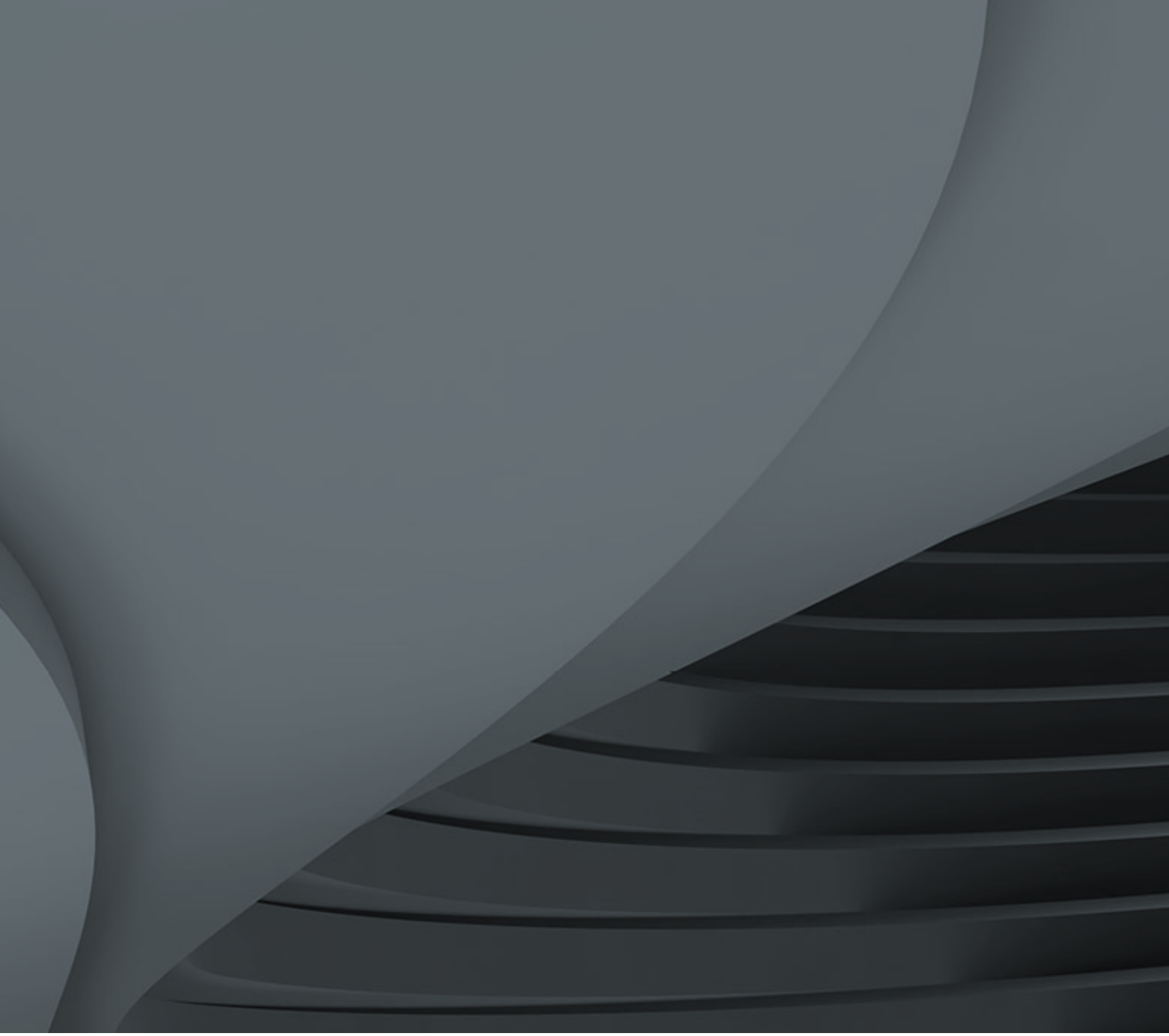
Reviewing the business and ownership structure in advance helps identify risks before generational succession.

How we can help

Protecting and transferring a family business requires coordinated tax, corporate and wealth planning. At Seegman, we advise business owners and families on:

- Tax eligibility reviews: assessment of corporate structures, assets, shareholdings and the requirements for available tax relief.
- Succession planning: evaluation of inheritance and gift options and their tax and corporate implications.
- Corporate restructuring: advice on reorganisations and ownership structures, including their impact on family business tax relief.
- Corporate governance and family protocols: arrangements to support decision-making, generational succession and business continuity.

We combine tax and corporate expertise to anticipate risks and plan for the continuity of family-owned business assets.



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