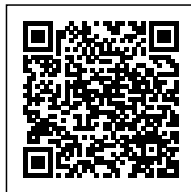


SHAPING THE MARKET - BDO ABOGADOS Y ASESORES TRIBUTARIOS

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Spanish companies are getting to grips with recent tax changes that promise to ease their tax burden

The Spanish Government's 2014 budget provides signs of confidence in the market, says Carlos López, Head of Tax at BDO Abogados y Asesores Tributarios. It doesn't contain any new austerity measures and even includes marginal growth predictions for the economy. From a tax perspective, there are no new initiatives, but some measures from previous years have been extended for 2014. "Many new rules came into force during 2012 and 2013 and these will shape the market this year," López explains. "Companies are getting to grips with a number of changes that promise to reduce their tax burden."

López highlights the tightening of tax-deductible expenses, as well as tax breaks for areas such as the film industry and new start-up companies. Investors in start-up companies, can get a 20 percent tax reduction of up to €50,000 from their initial investment in the business. He also identifies the

value added tax (VAT) new cash regime.

"VAT is payable on all invoices, and, under the general system, a company is obliged to pay the Tax Authority when it sent out an invoice," López continues. "This can create a problem for businesses with potential cash flow issues, especially during the financial crisis as a company had to wait a year before they could claim a rebate for bad debts."

Under the new regime, a company only has to pay VAT once payment has been received. López believes this is a good move but businesses are still adjusting in terms of personnel and IT programmes. Spain, however, still has a complicated three-tier VAT system, ranging from four percent for items like books, medicine and basic food, to 10 percent for transport fares or exhibitions, to 21 percent for other of goods and services.

"There is talk about moving some items into different brackets," López concludes, "but I think it is unlikely that Spain will introduce a flat-rate VAT anytime soon."