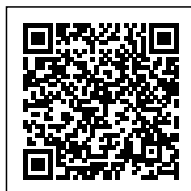


# TAX COLLECTION MEASURES CONTINUE - DELOITTE ABOGADOS

*Posted on 25/02/2013*



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**The Spanish Government recently approved new tax measures to tackle the economic crisis and stimulate the economy. The new austerity measures have introduced significant amendments in Corporate Income Tax, Personal Income Tax and Value Added Tax. Since the middle of 2011, the Government has been introducing significant amendments in CIT to**

**attempt to reduce the public deficit. The legislator has introduced a temporary limitation on the use of net operating losses. Based on this new limitation, the portion of loss carried forward that can be set off against the amount of taxable income is limited to 25 percent for taxpayers with a business turnover (based on the 12 months before the date) more than €60m, or 50 percent where the business turnover is more than €20m, but no more than €60m.**

Other temporary measures that the legislator has introduced are: the reduction from 10 percent to two percent of the maximum annual tax amortisation limitation for intangible assets with an indefinite useful life; the amortisation of financial goodwill (either resulting from a direct purchase or through a corporate reorganisation process) has been reduced from five percent to one percent, or the reduction of the amount of deductible tax credits available for certain promoted activities (reduction from 35 percent to 25 percent of CIT due); and, the inclusion of the reinvestment tax credit in said calculation.

Likewise, some tax measures are intended to anticipate any tax liability, as the notable changes in CIT estimated payments, the increase of the applicable percentages to calculate the tax liability (up to 29 percent), the inclusion to the taxable base of 25 percent of the exempt foreign income, and the establishment of a minimum periodic estimated tax payment for big companies (12 percent of the total book net income. It is not possible to be reduced by net operating loss carry forwards).

Other amendments have been introduced permanently, such as the limitation in the interest deductions that are capped at 30 percent of EBITDA (ie, earnings before interest, tax depreciation and amortisation), or the abolition of the free depreciation regime for the acquisition of new fixed assets and the introduction of transitional regime for amounts pending (20 percent or 40 percent of the taxable income before applying net operating losses).

The last tax measures introduced by the legislator in CIT have been the voluntary indexation for taxpayers with the indexation step-up to a five percent tax and the limitation to 70 percent the maximum rates provided by law for corporate taxpayers with turnover exceeding €10m.

As far as the VAT measures are concerned, as from September 1st, 2012, the standard VAT rate has increased from 18 percent to 21 percent and the reduced rate from eight percent to 10 percent, and various categories of goods and services ceased to be taxed at the reduced rate and became subject to the standard rate. Additionally, within the construction sector, the legislator, in order to achieve an effective tax collection, has introduced some cases of reverse charge mechanism, so the acquirer or the recipient of the services would be the VAT taxpayer.

Finally, regarding PIT, the legislator has introduced several tax changes in December 2012, including the abolition of the tax relief for home buyers from January 1st, 2013, the taxation of short-term capital gains on all assets at progressive income tax rates, rather than the current reduced savings rate, and the incorporation of a 20 percent tax on lottery prizes exceeding €2,500. Additionally, the legislator has extended the wealth tax to December 31st, 2013.

As a result of the abovementioned measures, the Government expects to increase the tax collection in order to tackle the economic situation in Spain.

The crucial factor for the creation of opportunities to economic recovery, in my opinion, should be focused on the fiscal policy that combines tax collection measures with tax incentives.

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