COUNTRY PROFILE

Spain

Tax overview

Corporate Income Tax	21%
Personal Income Tax	48%, progr.
Gift Tax	10%
Inheritance Tax	10%
Wealth Tax	None

Legal System

Spain has a legal system based on civil law.

Corporate Income Taxation

Corporations incorporated or with their effective place of management in Spain are subject to tax on worldwide income at 25% rate.

Individual Taxation

Resident individuals are subject to tax on their worldwide income. Taxes are imposed at the federal level as well as at the autonomous community level at a combined rate of 47%. Investment income is taxable at progressive rates of between 19% and 26%. Spain applies gift and inheritance tax at progressive rates between 7.65% and 34%. Certain autonomous regions, except Madrid, impose wealth tax on worldwide assets, at rates up to 3.5%

Anti-Avoidance Rules

Spain has General Anti-Avoidance Rules (GAARs), Transfer Pricing rules and Controlled Foreign Corporation (CFC) rules. Thin capitalization rules have been repealed.

Controlled Foreign Corporations (CFCs)

A CFC is a foreign corporation (including foreign PE) where 50% of more of the share capital, equity, profits, or voting rights are owned by Spanish residents, and the tax paid by the CFC is less than 75% of the tax that would been paid in Spain. The CFC rules apply only to certain passive income if the foreign entity has at its disposal an adequate structure of material and human resources. The minimis rule applies (15% or less of passive income) to avoid income imputation.

CFC rules do not apply to European Economic Area (EEA) resident subsidiaries with “economic activity”.

Foreign Trusts

Spain has not ratified the Hague Convention on the Recognition of trusts. However, under conflicts rules foreign trusts should be recognized if they do not violate Spanish public policy. Under Spanish law, trusts are disregarded from a tax perspective, regardless of whether they are revocable or irrevocable, fixed interest or discretionary. Transactions are treated as if entered into directly between the settlor and beneficiaries. Spanish resident settlors are treated as the owners of the trust assets, and will remain subject to tax on undistributed income until assets are transferred to the beneficiaries. The taxation of trusts on the death of the settlor is unclear.

Foreign Investment protection

Spain has agreements to protect foreign investment against nationalization or expropriation, which provide for international arbitration, including with Argentina, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela.

Double Tax Treaties (DTTs)

Spain has a broad network of DTTs.

OECD Multilateral Convention

Spain is party to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, which requires exchange on request, and authorizes spontaneous and automatic exchange.

Common Reporting Standard (CRS)

Spain has adopted CRS for the automatic exchange of account information, as a party to the Multilateral Competent Authority Agreement (MCAA).

FATCA

Spain has a FATCA Model 1 IGA with the US for the automatic exchange of account information.

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