

European Tax Newsalert

A Washington National Tax Services (WNTS)
Publication

SPAIN

September 14, 2011

Spain amends the corporate income tax regime

On August 19, 2011 the Spanish Government approved Royal Decree 9/2011, which introduces, among other amendments, changes to the corporate income tax ("CIT") regime.

A summary of the main corporate income tax amendments is outlined below.

Net operating losses

Royal Decree 9/2011 introduces restrictions on the use of net operating losses ("NOLs") carried forward.

For fiscal years 2011, 2012 and 2013, the following restrictions will apply:

- Taxpayers that have a total net income of at least EUR 20 million but less than EUR 60 million will only be able to offset 75% of their taxable income against NOLs carried forward.
- Taxpayers that have a total net income of at least EUR 60 million will only be able to offset 50% of their taxable income against the NOLs carried forward.

Prior to the approval of Royal Decree 9/2011, taxpayers could offset 100% of their taxable income against NOLs carried forward.



The NOL limitations will also apply to tax consolidated groups. That is, the total net income under the new rules equals the net income of all companies in the tax consolidated group. Therefore, a stand-alone company may not meet the requirements mentioned above. However, as a group, the total net income could trigger application of the new rules.

In addition, for the fiscal years that commence in 2012, the NOL carry forward periods have been extended for all companies from 15 years to 18 years. This extension will also apply to existing NOLs carried forward.

Deductibility of international financial goodwill

Currently, CIT law allows entities that acquired, prior to December 2007, a participation interest in non-resident entities to deduct a maximum of 5% of the difference between the acquisition price and the goodwill of the acquired entity at the date of the acquisition.

Royal Decree 9/2011 has reduced this rate from 5% to 1% for fiscal years 2011, 2012 and 2013.

For more information, please do not hesitate to contact:

Your international tax service team the U.S.

Daniel Landaluce +1 646 471 7762 daniel.landaluce@us.pwc.com

Isabel Asin Perez +1 646 471 2955 isabel.a.perez@us.pwc.com

Your international tax service team in Spain

Ramon Mullerat +34 91 568 5534 ramon.mullerat@es.pwc.com

Miguel Angel Navas +34 91 568 555 miguel_angel.navas.castillo@es.pwc.com

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

SOLICITATION

© 2011 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP, a Delaware limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.