

Informative note

Government Pact between the Spanish Socialist Workers' Party and Podemos: proposals on direct and indirect taxation

21st January 2020

As already known, on 30th December 2019, the Spanish Socialist Workers' Party (PSOE) and Podemos (UP) signed a coalition agreement to govern Spain, and on 7th January 2020, the Spanish Parliament approved the investiture of Pedro Sánchez as President of the Spanish Government.

This coalition agreement contains important proposals that fully affect the area of direct and indirect taxation. Therefore, the Tax Department of **Andersen Tax & Legal** provides you with a brief summary of the main measures provided for in section 10 of the [agreement](#).

As for the measures affecting **indirect taxation** that are planned to be implemented in the aforementioned agreement, the following are highlighted:

- With regard to Value Added Tax (VAT), a reduction in the current rate of taxation on veterinary services is envisaged from the ordinary rate of 21% to the reduced rate of 10%.
- The tax reductions on feminine hygiene products is planned to continue, it is also planned that the VAT rate on these products will go from the reduced rate of 10% to the super-reduced rate of 4%.
- Furthermore, with regard to environmental taxation, a mechanism for compensating for CO₂ at the border for imports of polluting products is proposed, with the aim of discouraging environmentally harmful behaviour.
- In addition, the introduction of new tax figures is envisaged, such as the approval of the Tax on Certain Digital Services in order to tax all those provisions of certain digital services that are not currently taxed in Spanish territory.
- Finally, as far as indirect taxation is concerned, the agreement also seeks approval of the Tax on Financial Transactions or Operations, which would mean that the purchase and sale of shares in listed companies with Spanish nationality, whose market capitalization is over 1,000 million euros, would be taxed in Spain at a rate of 0.2%, regardless of the residence of the persons or entities involved in the operation, provided that the conditions established in the final rule are met.

Having set out a brief summary of the measures envisaged for the area of indirect taxation, we shall now comment on the measures that would affect the area of **direct taxation**:

- With respect to Corporate Income Tax (IS), one of the most relevant measures is the establishment of a minimum tax rate of 15% on the positive tax base for those taxpayers with a net turnover of 20 million euros or more or who pay tax under the tax consolidation regime, regardless of their net turnover. Also, a minimum rate of 18% is established for



financial institutions and companies engaged in the exploration, research and operation of oil and gas fields and underground storage facilities. The establishment of these minimum rates means that it is impossible for the aforementioned companies to pay tax at a lower rate, even though some relief or tax credit may be applicable.

Also noteworthy is the amendment to Article 21 of the Corporate Income Tax Law, which regulates the exemption on dividends and income derived from the transfer of securities representing the equity of entities resident and non-resident in Spain, limiting the exemption to 95% of the dividend or positive income obtained.

Finally, a reduction of the tax rate from 25% to 23% is contemplated for entities whose net turnover for the immediately preceding tax period was less than 1 million euros (not applicable to those entities that are considered to be an asset-holding entity).

- With regard to Personal Income Tax (IRPF), an increase in rates is envisaged both in the general scale and in the scale of tax savings. In the general scale of the IRPF two higher sections are added.

Thus, income over 130,000 euros would have an increase of two percentage points in its taxation, this increase being four percentage points for income over 300,000 euros.

The savings scale also contemplates a four-point increase in the tax rate for capital income over 140,000 euros.

- Finally, like other tax measures, it is planned to approve a Law on Measures to Prevent Tax Fraud, further limiting cash payments, and the creation of a control unit on large estates, greater control over Variable Capital Investment Companies (SICAVs) by delegating powers to the inspection bodies of the State Administration Agency (AEAT), as well as an increase in the tax rate for Listed Real Estate Investment Companies (SOCIMIs), in the same way the tax regime for cooperatives and labour companies is to be reviewed.

We hope that these comments are useful and, in any case, we remain at the entire disposal of the **Andersen Tax & Legal** team to clarify any doubts you may have in this regard.