THE TAX SYSTEM IN MADRID

2026

Analysis of the Madrid tax system and tax comparison between the Community of Madrid, Autonomous Community of Catalonia, Autonomous Community of Valencia and the Basque Country.[1]

[1] Prepared in April 2026 by the tax team at Eversheds Sutherland. Eversheds Sutherland is a global legal services firm that advises companies worldwide, combining technical expertise, sector insight and a commercial, practical and globally coordinated approach. Eversheds Sutherland

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INVEST IN MADRID SPAIN

1. THE SPANISH TAX SYSTEM AT A GLANCE.

THE SPANISH TAX SYSTEM	
Levels within the territorial organisation of the State for the purposes of establishing taxes	.- The State. .- The Autonomous Communities. .- Local Entities.

State taxes	The main taxes of the Spanish tax system are divided into direct taxes and indirect taxes.
Direct taxes	These are taxes levied on a direct and immediate manifestation of economic capacity. The main direct taxes are: .- Corporate Income Tax (IS). .- Personal Income Tax (IRPF). .- Wealth Tax (IP). .- Temporary Solidarity Tax on Large Fortunes (ISGF). .- Inheritance and Gift Tax (ISD). .- Non-Resident Income Tax (IRNR).
Indirect taxes	These are taxes levied on an indirect manifestation of economic capacity. For example, the transfer of an asset or any acts relating to consumption. The main indirect taxes are as follows: .- Value Added Tax (IVA). .- Transfer Tax and Stamp Duty (ITPAJD). .- Excise Duties (IIEE).
Taxes devolved to the Autonomous Communities	The Autonomous Communities have been granted the management and collection of certain state taxes. The devolved taxes are as follows: .- IRPF. .- IP. .- ISD. .- ITPAJD.

Regional taxes	The Autonomous Communities generally have the power to establish their own taxes.
Limits on the imposition of own taxes	Own taxes cannot be established on taxable events that are already taxed by the State or by Local Authorities.
Examples of own taxes:	.- Tax on stays in tourist establishments. .- Tax on vacant dwellings. .- Water levy. .- Tax on packaged sugary beverages. .- Sanitation levy. .- Tax on activities affecting the environment.

Local taxes	At the municipal level, there are mandatory taxes and discretionary own taxes.
Mandatory local taxes	The mandatory own taxes in each municipality are as follows: .- Real Estate Tax (IBI). .- Economic Activities Tax (IAE). .- Motor Vehicle Tax (IVTM).
Discretionary taxes	Each municipality may establish other own taxes in addition to the mandatory ones.

Foral (chartered) regimes	The Basque Country and the Community of Navarra have the power to regulate and establish their own tax regime.
Main competences	This power extends to the assessment, management, settlement and collection of the main state taxes.

2. MAIN DIRECT TAXES.

2.1. Corporate Income Tax (IS).

General matters	
Scope of application	Spanish territory (the Basque Country and Navarra have their own regulations).
Income taxed	Worldwide income.
Tax residence	At least one of the following circumstances must be met: (i) Entities incorporated under Spanish law. (ii) Entities with registered office in Spanish territory. (iii) Entities with effective place of management in Spain.
Tax rate	(i) Tax rate of 21% (22% on taxable income exceeding 50,000 euros) for entities with net turnover in the previous period of less than one million euros. In the case of a group as defined in Article 42 of the Commercial Code, the net turnover of all group entities shall be taken into account. With effect from 2025, a progressive reduction of the tax rates applicable to these entities is recognised. (ii) General tax rate of 25%. (iii) Tax rate of 15% for newly created entities in the first tax period with a positive taxable base and the following period, and for start-up companies as defined in the new Law for the promotion of the start-up company ecosystem ("Start-up Law"). (iv) From the 2026 tax year, the tax rate shall be 19% (21% on taxable income exceeding 50,000 euros).
Taxable base	(i) Accounting profit for the year (accounting regulations). (ii) (+/-) Tax adjustments (tax regulations).
Offset of tax losses	(i) General limit of 70% of the positive taxable base. (ii) Limit of 50% for entities with net turnover between 20 and 60 million euros. (iii) Limit of 25% for entities with net turnover exceeding 60 million euros. (iv) In any case, 1 million euros in the tax period.

Main tax benefits of Corporate Income Tax	
Exemption regime for dividends, profit shares and capital gains derived from the transfer of participations	
Scope of exemption	95%
General requirements	(i) 5% direct or indirect participation in the capital or equity of the entity. (ii) Uninterrupted holding of the participation for one year prior to the day on which payment becomes due. (iii) In the case of participations in non-resident entities, it is required that the entity has been subject to, and not exempt from, a tax identical or analogous in nature to Spanish Corporate Income Tax at a nominal rate of at least 10%. This requirement is deemed met when the entity is resident in a country with which Spain has signed a double taxation treaty containing an exchange of information clause.
Deductibility regime for financial expenses	
Deductible amount	Net financial expenses are deductible up to a limit of 30% of the operating profit for the year. In any case, net financial expenses up to 1 million euros are deductible in the tax year.
Deduction in future tax years	Financial expenses that have not been deducted due to the application of the above limit may be deducted in future periods, without time limit, and subject to the same quantitative limits.

Main Special Regimes	
Special Restructuring Regime	
Tax deferral regime	This is a special regime applicable to certain restructuring operations within the European Union, under which the income derived from the transfer of the assets and rights subject to the operations is deferred and not included in the taxable base.
Main restructuring operations:	(i) Merger. (ii) Spin-off. (iii) Asset contribution. (iv) Share exchange. (v) Non-monetary contributions. (vi) Change of registered office.

Purpose of the operations:	The operations must be carried out for valid economic reasons in order to benefit from the regime. The main purpose cannot be tax-related.
Special Tax Consolidation Regime	
The group as sole taxpayer	The tax group is considered a taxpayer, with the parent or representative entity being responsible for complying with the tax obligations arising from the application of the regime. The parent company of the tax group may also be a non-resident entity (horizontal consolidation group formed by dependent entities resident in Spain and a non-resident parent entity).
Sum of individual taxable bases	The taxable base of the tax group is formed by the sum of the taxable bases of the individual entities, which are required to file individual returns. In this way, positive and negative taxable bases within the same group offset each other.
Limitation on offset of tax losses	The measure that originally affected only tax years beginning in 2023 has been extended to 2024 and 2025, limiting to 50% the offset of tax losses obtained by entities of the tax consolidation group in the 2023 tax year itself. Accordingly, in 2023, 2024 (for 2024, those tax years not ended before 22 December 2024) and 2025, the taxable base of the tax consolidation group shall be formed by the total positive taxable bases and 50% of the negative taxable bases obtained by entities of the same group. The unused negative taxable bases due to this restriction shall be integrated in equal parts over the first ten tax periods beginning from 1 January 2024, 1 January 2025 and 1 January 2026, respectively for each year of limitation.
Special Regime for Foreign Securities Holding Entities (ETVE)	
Definition	An entity whose main corporate purpose is the management and administration of securities representing the equity of entities not resident in Spanish territory.
Requirement of personnel and material resources	For the management and administration of the securities, it is required that the entity has the corresponding organisation of material and personnel resources. That is, activity in the management and administration of the held securities is required.
Requirements for 95% exemption (effective tax rate of 1.25%) in ETVE on income from non-resident entities	(i) 5% direct or indirect participation in the capital or equity of the entity. (ii) Uninterrupted holding of the participation for one year prior to the day on which payment becomes due. (iii) In the case of participations in non-resident entities, it is required that the entity has been subject to, and not exempt from, a tax identical or analogous in nature at a nominal rate of at least 10%. This requirement is deemed met when the entity is resident in a country with which Spain has signed a double taxation treaty containing an exchange of information clause.
Regime for profits distributed to shareholders from income that has	(i) Corporate shareholder resident in Spain: 95% exemption

benefited from the exemption (95%)	if the above requirements are met. (ii) Individual shareholder resident in Spain: the profit is included in savings income (19%-30%). (iii) Individual or entity shareholder non-resident: the distributed profit is not subject to tax in Spain.
Regime for profits obtained from the transfer of a participation in an ETVE	(i) Corporate shareholder resident in Spain: 95% exemption if the above requirements are met. (ii) Individual shareholder resident in Spain: the profit is included in savings income (19%-30%). (iii) Individual or entity shareholder non-resident: the income corresponding to reserves funded from exempt income is not deemed obtained in Spanish territory provided that the participation requirements are met. Profits from non-exempt income are subject to IRNR.

2.2. Personal Income Tax (IRPF)

General matters	
Scope of application	Spanish territory (the Basque Country and Navarra have their own regulations).
Income taxed	Worldwide income.
Tax residence	At least one of the following circumstances must be met: (i) That the individual remains for more than 183 days during the calendar year in Spanish territory, not counting sporadic absences. (ii) That the main centre or base of their activities or economic interests is located in Spain, directly or indirectly. It is presumed, unless proven otherwise, that habitual residence is in Spain when the non-legally separated spouse and dependent minor children reside in said territory.
General taxable base	(i) Employment income. (ii) Real estate capital income. (iii) Business activity income. (iv) Imputed income. (v) Capital gains and losses obtained WITHOUT transfer of assets.
Savings taxable base	(i) Investment income (movable capital). (ii) Capital gains and losses obtained solely from the transfer of assets, regardless of the holding period. (iii) (+/-) Tax adjustments (tax regulations).
Tax rate	(i) General tax base: 19% - 54% (depending on each Autonomous Community). (ii) Savings tax base: 19% - 30%.

2.3. Non-Resident Income Tax (IRNR)

General matters	
Scope of application	Spanish territory (the Basque Country and Navarra have their own regulations).
Income taxed	Income obtained in Spanish territory by non-resident individuals and entities.
Types of main taxable income	(i) Business income through a permanent establishment. (ii) Business income without a permanent establishment. (iii) Employment income. (iv) Dividends. (v) Interest. (vi) Royalties (vii) .Real estate capital income. (viii) Imputed income. (ix) Capital gains. (x) Pensions and similar benefits.
Tax rate	(i) General tax rate of 24% (19% for taxpayers resident in another EU Member State or the European Economic Area). (ii) Dividends: tax rate of 19%. (iii) Interest: tax rate of 19%. (iv) Capital gains arising from the transfer of assets: tax rate of 19%.

2.4. Wealth Tax (IP)

General matters	
Scope of application	Spanish territory (the Basque Country and Navarra have their own regulations).
Income taxed	The Wealth Tax levies the net wealth of individuals resident in Spanish territory, and non-residents for assets and rights located in Spain. Securities representing entities not traded on organised markets whose assets consist, directly or indirectly, of at least 50% of real estate located in Spanish territory are considered situated in Spanish territory.
Concept of net wealth	Net wealth of individuals consists of the set of assets and rights of economic content of which they are holders, after deduction of charges and encumbrances that reduce their value and personal debts and obligations.
Assessment scheme	(+) Value of assets and rights. (-) Debts. (=) Net Wealth. Taxable base. (-) Tax-free allowance reduction. (=) Net taxable base. (*) Tax rate. (=) Gross tax liability.
Tax-free allowance (state level)	The state tax-free allowance amounts to 700,000 euros. Each Autonomous Community has the power to set its own tax-free allowance, whether higher or lower than the state one.
Main state exemptions (among others)	(i) Taxpayer's primary residence up to an amount of 300,000 euros. (ii) Participations in entities, provided the following requirements are met: (a) the entity's main activity is not the management of a movable or immovable estate, (b) the taxpayer's participation is at least 5% individually or 20% jointly with their spouse, ascendants, descendants or second-degree collateral relatives, and (c) they receive remuneration exceeding 50% of all their business

	activity income and employment income from the exercise of management functions in the entity. (iii) Assets and rights of individuals necessary for the conduct of their business or professional activity, provided it is carried out on a habitual, personal and direct basis by the taxpayer and constitutes their main source of income.
Tax rate (scale per Autonomous Community)	The tax rate, depending on each Autonomous Community, ranges from 0.20% to 3.5%.
Wealth Tax allowances/credits	The Autonomous Communities have the power to establish credits on the Wealth Tax liability. For example, the Community of Madrid has established a 100% credit on the tax liability.

2.5. Temporary Solidarity Tax on Large Fortunes (ISGF). Common territory

General matters ISGF Common territory	
Main aspects	Law 38/2022, of 27 December, establishing temporary levies on energy companies and credit institutions and financial credit establishments and **creating the temporary solidarity tax on large fortunes,** and amending certain tax provisions.Complementary tax to the Wealth Tax. Tax that cannot be devolved to the Autonomous Communities.
Scope of application	It applies throughout Spanish territory, without prejudice to the foral tax regimes of the Economic Agreement and Convention in force in the Historical Territories of the Basque Country and the Foral Community of Navarra.
Temporal scope	Although this tax was initially introduced on a temporary basis, its application has now been established indefinitely.
Income taxed	The Temporary Solidarity Tax on Large Fortunes levies the net wealth exceeding 3,000,000 euros of individuals resident in Spanish territory, and non-residents for assets and rights located in Spain. Securities representing entities not traded on organised markets whose assets consist, directly or indirectly, of at least 50% of real estate located in Spanish territory are considered situated in Spanish territory.
Concept of net wealth	Net wealth of individuals consists of the set of assets and rights of economic content of which they are holders, after deduction of charges and encumbrances that reduce their value and personal debts and obligations.
Configuration coinciding with the Wealth Tax	The configuration of the Temporary Solidarity Tax on Large Fortunes coincides with that of the Wealth Tax both in its territorial scope and in the applicable exemptions, taxpayers, taxable and net taxable base, accrual and tax rates, as well as in the gross tax liability limit.
Assessment scheme	(+) Value of assets and rights (-) Debts (=) Net Wealth. Taxable base. (-) Tax-free allowance reduction. (=) Net taxable base.

<table>
<tr><td></td><td>(*) Tax rate.

(=) Gross tax liability.

(-) Tax effectively paid on the Wealth Tax.

(=) Net tax payable Temporary Solidarity Tax on Large Fortunes.</td></tr>
<tr><td>Tax-free exemption</td><td>A tax-free exemption of 700,000 euros is established.</td></tr>
<tr><td>Tax base Up to euros</td><td>
<table>
<tr><th>Tax liability Euros</th><th>Remaining tax base up to euros</th><th>Applicable Rate Percentage</th><th>Tipo aplicable Porcentaje</th></tr>
<tr><td>0,00</td><td>0,00</td><td>3.000.000,00</td><td>0,00</td></tr>
<tr><td>3.000.000,00</td><td>0,00</td><td>2.347.998,03</td><td>1,7</td></tr>
<tr><td>5.347.998,03</td><td>39.915.97</td><td>5.347.998,03</td><td>2,1</td></tr>
<tr><td>10.695.996,06</td><td>152.223.93</td><td>Onwards</td><td>3,5</td></tr>
</table>
</td></tr>
<tr><td>No possibility of applying regional deductions and credits</td><td>The prohibition on devolving the Tax to the Autonomous Communities has been established, so regional deductions and/or credits are not applicable. Only the State regulations of the Wealth Tax apply. See main exemptions under the Wealth Tax.</td></tr>
</table>

2.6. Inheritance and Gift Tax (ISD)

<table>
<tr><th colspan="2">General matters</th></tr>
<tr><td>Scope of application</td><td>Spanish territory (the Basque Country and Navarra have their own regulations).</td></tr>
<tr><td>Income taxed</td><td>The Inheritance Tax levies increases in wealth obtained gratuitously by individuals.</td></tr>
<tr><td>Taxable events</td><td>(i) Acquisition of assets and rights by inheritance, bequest or any other title of succession.

(ii) Acquisition of assets and rights by gift or any other gratuitous inter vivos legal transaction.

(iii) Receipt of amounts by beneficiaries of life insurance contracts where the policyholder is a person other than the beneficiary.</td></tr>
</table>

Assessment scheme (ISD/Inheritance)	(+) Fair value of all assets and rights (market value). (+) Household effects. (+) Addition of assets. (=) Gross estate. (-) Deductible charges, debts and expenses. (=) Net estate. (=) Individual inheritance share. (+) Life insurance. (=) Taxable base. (-) Reductions. (=) Net taxable base. (*) Tax rate. (=) Gross tax liability. (*) Multiplying coefficients. (=) Tax payable. (-) Deductions and credits. (=) Total amount payable.
Tax rate (scale per Autonomous Community)	The tax rate, depending on each Autonomous Community, ranges from 7.65% to 34%.
Exemptions	The Autonomous Communities have the power to establish credits on the Inheritance and Gift Tax liability. For example, the Community of Madrid and Andalusia have established a 99% credit on the tax liability in the case of spouses, ascendants and descendants.

3. INVESTING IN THE COMMUNITY OF MADRID.

3.1. Comparison: Community of Madrid, Catalonia, Valencian Community, Basque Country:

CORPORATE INCOME TAX 2025	
Common Territory	
General tax rate	25,00%
Small enterprises (as defined in the Corporate Income Tax Law)	19%/21%

IRPF		
Autonomous Community	**Minimum Rate**	**Maximum Rate**
Autonomous Community of Catalonia	20,00%	50,00%
Autonomous Community of Madrid	18,00%	45,00%
Autonomous Community of Valencia	18,50%	54,00%
Basque Country	23,00%	49,00%

IP		
Autonomous Community	**Minimum Rate**	**Maximum Rate**
Autonomous Community of Catalonia	0,21%	3,48%
Autonomous Community of Madrid	100% credit on the resulting tax liability if positive, except where there is an amount payable under the ISGF, in which case that amount is payable under the IP.	
Autonomous Community of Valencia	0,25%	3,50%
Basque Country Bizkaia	0,20%	2,00%
Basque Country Araba and Gipuzkoa	0,20%	2,50%
If the Autonomous Community does not approve any scale	0,20%	3,50%

Temporary Solidarity Tax on Large Fortunes (ISGF). Common territory			
Tax baseUp to euros	**Tax liabilityEuros**	**Remaining tax baseUp to euros**	**Applicable ratePercentage**
0	0	3.000.000,00	0,00%
3.000.000,00	0	2.347.998,03	1,70%
5.347.998,03	39.975,97	5.347.998,03	2,10%
10.695.996,06	152.223,93	Onwards	3,50%

Tax-free allowance	**700.000,00**

ISD 2023			Multiplying coefficientsbased on kinship and pre-existing wealth		Credits or reductions - group I
Autonomous Community	**Minimum Rate**	**Maximum Rate**	**Minimum Rate**	**Maximum Rate**	**Spouse,ascendants, descendants**
Autonomous Community of Madrid	7,65%	34,00%	1,00	2,40	99%
Autonomous Community of Catalonia	7,00%	32,00%	1,00	2,00	20% to 99% (progressive scale based on taxable base)
Autonomous Community of Valencia	7,65%	34,00%	1,00	2,40	99% (from 1 June 2026)
Basque Country	1,50%	42,56%	-	-	Reduction of 400,000 euros

4. THE HOLDING COMPANY IN MADRID, AN ATTRACTION FOR INVESTORS.

THE HOLDING COMPANY	
MAIN ADVANTAGES OF ESTABLISHING OR OPERATING THROUGH A HOLDING COMPANY IN SPAIN	
Exemption regime for dividends, profit shares and capital gains derived from the transfer of participations	
Scope of exemption	95% (effective tax rate of 1.25%).
General requirements:	(i) 5% direct or indirect participation in the capital or equity of the entity. (ii) Uninterrupted holding of the participation for one year prior to the day on which payment becomes due. (iii) In the case of participations in non-resident entities, it is required that the entity has been subject to, and not exempt from, a tax identical or analogous in nature at a nominal rate of at least 10% (this requirement is deemed met when the entity is resident in a country with which Spain has signed a double taxation treaty containing an exchange of information clause).
Taxation of individual without a holding entity	Savings taxable base 19%-30%.
Withholding on dividend distributions	The distribution of dividends to a holding entity, to the extent that the above requirements are met, does not entail a withholding obligation. The distribution of a dividend to an individual entails a withholding obligation of 19%.
Possibility of channelling investments through the creation of other companies dependent on the holding. Financing these with profits from group companies	
Channelling of profits. Financing to other operating companies.	Tax-efficient structure for distributing dividends from operating entities to make investments in other newly created or existing operating companies dependent on the holding.

<table>
<tr><th colspan="2">Possibility of applying the Special Tax Consolidation Regime under Corporate Income Tax</th></tr>
<tr><td>Minimum participation requirement</td><td>Direct or indirect participation of 75% or more.</td></tr>
<tr><td>Offset of profits and losses</td><td>Losses obtained by entities of the consolidation group may be offset against profits of other group entities within the same tax period. The taxable base of the tax group is the sum of the individual taxable bases of the entities forming part of it.</td></tr>
<tr><td>Withholdings on intra-group transactions</td><td>As a general rule, there is no obligation to apply withholdings on transactions carried out between companies of the tax consolidation group.</td></tr>
<tr><td>Specific transfer pricing documentation</td><td>There is no obligation to prepare specific transfer pricing documentation for transactions with companies of the same tax consolidation group.</td></tr>
<tr><th colspan="2">Possibility of applying tax benefits under the Wealth Tax (IP) and Inheritance and Gift Tax (ISD)</th></tr>
<tr><td>Family business participation exemption</td><td>Requirements for exemption under the IP and ISD for participations in family businesses:

(a) the entity’s main activity is not the management of a movable or immovable estate,

(b) the taxpayer’s participation is at least 5% individually or 20% jointly with their spouse, ascendants, descendants or second-degree collateral relatives, and

(c) they receive remuneration exceeding 50% of all their business activity income and employment income from the exercise of management functions in the entity.</td></tr>
<tr><th colspan="2">Possibility of applying the Special VAT Group Regime</th></tr>
</table>

Possibility of applying tax benefits under the Wealth Tax (IP) and Inheritance and Gift Tax (ISD)	
Family business participation exemption	Requirements for exemption under the IP and ISD for participations in family businesses: (a) the entity's main activity is not the management of a movable or immovable estate, (b) the taxpayer's participation is at least 5% individually or 20% jointly with their spouse, ascendants, descendants or second-degree collateral relatives, and (c) they receive remuneration exceeding 50% of all their business activity income and employment income from the exercise of management functions in the entity.
Possibility of applying the Special VAT Group Regime	

5. MAIN FORMS OF INVESTMENT IN MADRID.

From a corporate law perspective			
Description	**SUBSIDIARY**	**BRANCH**	**SELF-EMPLOYED PROFESSIONAL**
Definition	A subsidiary is an independent capital company from the parent company which, being an extension of the parent in other territories, operates in the market on its own account and risk, while taking into account the rules of the country where it is established. Control of the subsidiary rests with the parent company, which holds the majority of shares and capital.	A secondary establishment with permanent representation and a degree of management autonomy, through which the activities forming part of the corporate purpose of the parent company are carried out and which, on behalf of said entity, conducts its legal activity in the specific geographical area entrusted to it.	An individual who habitually, personally and directly, on their own account and outside the scope of direction and organisation of another person, carries out an economic or professional activity for profit, whether or not they employ workers.
Legal personality	It has its own legal personality, independent from the parent company, with its own capital, articles of association and governing bodies, and may even have a different corporate purpose from that of the parent company.	It does not have a separate legal personality from its parent, due to its subordination and ancillary nature. It shares the legal personality of the parent company.	No new legal personality is created; the legal personality is the same as that of the holder.
Liability	The subsidiary assumes its own liability for its acts, that is, liability separate from the parent company.	The branch's liability is not independent from that of the main establishment, and creditors of the former may proceed directly against the latter.	The professional is liable for the debts generated by their activity with all their present and future assets; liability is unlimited.
Incorporation requirements	• Application for a negative name certificate from the Central Commercial Registry. • Execution of a public	Foreign companies may open branches in Spain, in accordance with the capacity rules of their national law and subject to Spanish provisions regarding the formal aspects of the opening:	Preliminary procedures before Public Authorities: • Registration in the Census of Entrepreneurs with the State Tax

	deed before a Notary. • Application for a provisional Tax Identification Number (NIF). • Preparation of articles of association with the characteristics of the chosen form (limited liability company, public limited company, etc.). • Registration with the Commercial Registry where the registered office will be located. • Application for a definitive NIF. • A minimum share capital is required.	• Evidence of the existence, articles of association and members of the governing body of the parent company by means of a public document (legalised and with a sworn translation). • Evidence of the document by which the parent company opts to establish a branch in Spanish territory. • The Spanish branch is identified by adding the expression "Branch in Spain" to the full corporate name of the foreign parent company. • Execution of a public deed before a Notary. Application for a Spanish NIF.Registration with the Commercial Registry. • A legal representative must be appointed who has been authorised by the parent company. • There are no formal management or governance bodies within the branch. • No minimum share capital is required.	Administration Agency and the Special Regime for Self-Employed Workers (RETA). • Social Security affiliation and number at the territorial Social Security Treasury.Registration in the Social Security Regime at the territorial Social Security Treasury. • Affiliation and registration of workers in the corresponding Social Security regime, where applicable. • Notification of opening of the workplace to the Labour Department of the corresponding Autonomous Community. • Activity licence from the corresponding Town Hall, where applicable. • No minimum share capital is required.
Initial obligations	The main obligations will depend on the chosen corporate form. In Spain, subsidiaries usually take the form of limited liability companies or public limited companies.	They must maintain separate accounts for the transactions they carry out and the assets allocated to their activity. The parent company must file its annual accounts or consolidated accounts, as applicable, with the Commercial Registry of the branch. The annual accounts may be in a foreign language.	Self-employed workers are required to keep orderly and adequate accounts for their activity. Depending on the applicable tax regime, the mandatory books are: • Daily Journal. • Inventory and Annual Accounts Book. • Sales and Income Book.Purchases and Expenses Book. • Investment Assets Book.

Advantages	• Creditors of the subsidiary cannot proceed against the assets of the parent company. • It may have a corporate purpose different from that of the parent company.	• Simplified procedures. • They allow territorial dispersion of the business without major formalities. • Senior management and the entrepreneur's domicile are not located at the branch but at the parent company. • No minimum share capital required.	• Full control of the business by the owner, who manages it directly. • Ideal for small businesses. • Significantly fewer management procedures. • No minimum capital required. • Not required to register with the Commercial Registry.
Disadvantages	• In fraudulent situations where the parent company controls the subsidiary both internally and externally, joint liability has been considered appropriate.	• It does not enjoy independent liability, which may affect the assets of the parent company. • They are subordinate to the parent company both economically and legally. • Obligation to maintain a single corporate purpose and may not carry out a separate activity.	• There is no differentiation between business assets and personal assets. • Liability is unlimited.

6. TAX REGIME FOR ROYALTIES.

Taxation of royalties (OECD Model)	
Concept	Payments of any kind received as consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work, including cinematographic films, patents, trademarks, designs or models, plans, secret formulae or processes, or for information concerning industrial, commercial or scientific experience.
General rule	Royalties arising in a Contracting State and beneficially owned by a resident of the other Contracting State shall be taxable only in that other State.
DTTSpain - Colombia	Subject to withholding tax at source at 10%, unless domestic legislation is more favourable.

7. TAX REGIME FOR IMPATRIATES. BECKHAM LAW.

Tax regime for impatriates	
Scope of application	Non-resident individuals who acquire the status of residents in Spain as a result of their transfer to said territory for employment/professional reasons, including digital nomads, entrepreneurs and investors.
Requirements	(i) The individual must not have been resident in Spain in the 5 tax periods prior to their transfer to Spain. (ii) The individual must acquire tax residence in Spain as a result of an employment contract or the status of director of an entity. Also as a result of carrying out an economic activity in Spain classified as an entrepreneurial activity, or as a result of carrying out an economic activity in Spain by a highly qualified professional providing services to start-up companies. (iii) The individual must not obtain income classified as obtained through a permanent establishment.
Possibility of family members benefiting	Subject to meeting certain requirements, both the spouse and children under 25, or disabled persons regardless of their age, may benefit from the regime.
Duration	During the tax period in which the change of residence is made and during the following five tax periods.
Tax rate	Up to €600,000 the tax rate is 24%; the excess is taxed at 47%.
IP	The individual who opts for this regime will be taxed under the IP only on assets located in Spanish territory.

8. MBAPPÉ LAW. COMMUNITY OF MADRID.

Mbappé Law (Madrid). Tax credit. IRPF Madrid.	
Scope of application	Individuals who, from 1 January 2024, become IRPF taxpayers in the Community of Madrid.
What does the deduction consist of?	This is a 20% deduction on the regional gross IRPF liability on the acquisition value, including expenses and taxes inherent to the acquisition, excluding interest paid by the taxpayer, of the following assets: (i) Securities representing the assignment of own capital to third parties, whether traded or not on organised markets (public debt and private debt securities). (ii) Securities representing participation in the equity of any type of entity, whether traded or not on organised markets. In the case of investments in unlisted entities, (i) the entity may not be incorporated or domiciled in a tax haven, (ii) the direct or indirect participation of the taxpayer, together with that of their spouse or relatives up to the second degree (by blood or affinity), may not exceed 40% of the share capital or voting rights during the investment holding period, and (iii) the taxpayer may not hold executive or management functions or maintain an employment relationship with the entity.
Requirements	(i) The individual must not have been tax resident in Spain in the 5 tax periods prior to their transfer to Spain.They must maintain tax residence in Madrid for 6 years (during which they must maintain the investment).
Additional conditions	(i) Investment and maximum deduction: There is no limit on the investment amount nor a maximum taxable base limiting the deduction, which allows a significant deduction to the point of potentially reducing the regional tax bracket in its entirety. (ii) Investment period: The investment must be made in the same tax year in which tax residence is acquired in the Community of Madrid, or in the following year. In the case of investments in Spanish securities, the investment may be made in the tax year prior to acquiring tax residence in the Community of Madrid. (iii) Investment holding requirement: Investments must be held for at least six years, with arm's length transfers being valid provided the proceeds are

	reinvested within one month of the transfer.
Loss of the deduction	The loss of residence in the Community of Madrid during the mandatory investment holding period or the failure to comply with the obligation to maintain the investment, including the case of a transfer without full reinvestment, shall result in the loss of the deduction applied.
Incompatibilities	This deduction is not compatible with other regional deductions aimed at incentivising investment, such as the deduction for the acquisition of shares or participations in newly created or recently created entities, nor with the deduction for investments in entities listed on the alternative stock market. Furthermore, it may not be applied if the taxpayer opts for the special tax regime known as the "Beckham Law" for workers, entrepreneurs and investors relocated to Spain.

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The above content does not constitute, nor may it be considered, legal advice, and is provided solely for general informational purposes. Any tax implications or treatments must be analysed on a case-by-case basis, taking into account the specific circumstances.