

## *Council of Ministers*

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*Moncloa Palace, Madrid, Friday 2 December 2016*

The Minister for the Treasury pointed out that part of the saving made this year - some 2 billion euros - is due to interest, something which will not easily happen again. Moreover, in order to meet the adjustment committed to with Brussels, another 5.5 billion euros are required. To that end, the Council of Ministers has approved a series of tax measures with an estimated structural impact of some 7 billion euros.

Most of this will come from Corporate Income Tax and from special taxes. Another source of revenue will be initiatives related to the strict application of taxes, such as tougher controls on the deferment of certain types of debt with the Tax Agency. The new measures to fight tax fraud will enable another 500 million euros to be collected in revenue. Finally, the reform of the public administration services will lead to some 900 million euros in savings, according to Cristóbal Montoro.

As regards Corporate Income Tax, the goal is to close off 2016 and the projection of the partial payments into the system for 2017, with resulting increased revenue of some 4.65 billion euros. Among the deductions that are modified, Cristóbal Montoro mentioned the limitation on offsetting negative tax bases from previous years for large corporations.

The Minister for the Treasury underlined that the normal rate for this tax of 25% will remain in force. The aim of the reform, he said, is to ensure "the effective rate draws closer to the nominal rate", which "would take tax collection, in terms of annual revenue, to somewhere between 25 and 26 billion euros".

### **Special taxes**

Some 150 million additional euros will come from special taxes (alcohol and tobacco). In the case of tobacco, taxes are raised by 2.5% on cigarettes and 6.8% on roll-your-own tobacco. Tax on alcohol consumption is raised by 5%, both on the mainland and in the Canary Islands, although tax on beers and wines remains unchanged.

The minister also referred to the draft law establishing a tax on carbonated and sweet beverages which will bring in 200 million euros in revenue in 2017. He stressed that this is an increasingly frequent tax in European countries and is designed as "an instrument to fight obesity and problems of excess sugar consumption".

Cristóbal Montoro announced that the government also intends to implement a reform in the field of environmental taxation for the year 2017. "This demand comes from the EU itself for us to develop and regularise this kind of tax in Spain", he said.

As regards VAT, the government approved a system of online settlement that, when fully developed, will involve some 60,000 taxpayers and represent 80% of the billing of this tax.

<http://www.minhfp.gob.es/Documentacion/Publico/GabineteMinistro/Notas%20Prensa/2016/CONSEJO%20E%20MINISTROS/02-12-2016%20NP%20Medidas%20tributarias.pdf>

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