

Government modifies Corporate Income Tax for large companies to meet path of public deficit

Moncloa Palace, Madrid, Friday 30 September 2016

The Council of Ministers approved, through a decree law, a series of tax measures to help meet the new fiscal path agreed with the European Union, which allows for a longer term to meet the public deficit targets.

The acting Vice-President of the Government underlined that the goal is to increase revenue from Corporate Income Tax, although this is not considered to be a tax hike, but rather a change of methodology in the instalment payments that companies must make.

For his part, the acting Minister for the Treasury and the Public Administration Services, Cristóbal Montoro, highlighted that the new system only affects those companies with turnover in excess of 10 million euros, a total of some 9,000 companies.

The royal decree sets a minimum rate of 23% of accounting profit to be settled in the instalment payment; this percentage will rise to 25% for credit institutions and those that are engaged in oil extraction operations

This new legislation will come into force following its publication on Friday, 30 September, in the Official State Gazette. Hence, for the two remaining instalment payments to be made this year, in October and in December, those companies affected will have to settle the corresponding new amounts, specified Cristóbal Montoro. The new system of payments will not only apply in 2016, but until such time as Spain reduces its public deficit below 3% of the Gross Domestic Product.

The minister explained that the goal is for Corporate Income Tax to continue providing the same level of revenue as in recent years, of around 20 billion euros. He also remarked that this is not a tax hike, since it is equivalent to a payment on account as settled by individuals for Personal Income Tax which is then discounted when their tax return is made the following year.

<https://www.boe.es/boe/dias/2016/09/30/pdfs/BOE-A-2016-8957.pdf> (in Spanish)