

TAXATION

Unique capacity to collect taxes

- Araba has its **own Tax Authority** which manages all taxes collected, except Customs duties.
- Like any other country and moreover the Parliament of Araba passes its own tax laws with a similar autonomy to any other country.
- Thanks to this **Tax autonomy** Araba can implement both **economic and tax measures** to establish its own economic ecosystem, globally connected.

"Zero uncertainty"

- **Tax Rulings:** Araba Tax Authority responds to any query from companies or individual people regarding taxation in a legally binding way.
- **Pre-payment proposals:** In the case of complex matters, Araba Tax Authority is committed to provide certainty regarding tax benefits and other elements of taxation involved.

Proximity and Agility

- The Regional Government (Diputación) is a more agile and supportive administration due to the closeness of the Tax Administration.

Avoiding double taxation

- Araba benefits from agreements to avoid double taxation subscribed to by Spain with other countries, especially with Latin America and Europe.

Corporate tax rate

In the Historical Territory of Alava, the **Norma Foral 37/2013, de 13 de diciembre, del Impuesto sobre Sociedades** is applied, while at the state level the tax is regulated in Ley 27/2014, de 27 de noviembre, del Impuesto sobre Sociedades.

Below, some comparative tables are introduced between Álava and the spanish Tax Agency (AEAT) in the following matters:

- Deductible expenses
- Non-computable income
- Tax rates
- Tax credits
- Limits on the amount of tax credit applied

Deductible expenses:

<i>Concept</i>	<i>Álava</i>	<i>AEAT</i>
Depreciation	Specified rates by legislation. Usually, higher rates than AEAT. (e.g.: industrial machinery can be depreciated 20% each year).	Specified rates by legislation (e.g.: machinery at 12% each year).
Free depreciation Faster depreciation	<u>Micros and small</u> : free depreciation <u>Medium</u> : faster depreciation (x 1.5)	Free depreciation for ERD. Limitation related to the increase of employees.
Depreciation of intangible assets	If the useful life of the asset cannot be estimated reliably: max 10% each year. Goodwill: max 12.5% each year (may apply some limitations).	If the useful life of the asset cannot be estimated reliably: max 5% each year. Goodwill: max 5% each year (may apply some limitations).
Financial or merge goodwill	Maximum 12.5% each year (may apply some limitations).	Non-deductible

Non-computable income:

<i>Concept</i>	<i>Álava</i>	<i>AEAT</i>
Dividends or shares in profits	Exemption of the 100% . Some requirements must be fulfilled.	Exemption of the 95% . Some requirements must be fulfilled.
Income obtained from transfers of shares	Exemption of the 100% . Some requirements must be fulfilled.	Exemption of the 95% . Some requirements must be fulfilled.
Reinvestment of extraordinary income	Income obtained from the sale of fixed assets can be deducted from taxable income , if the amount obtained from the sale is reinvested, in certain assets and period.	Repealed in 2015.
Monetary correction	Amount that can be deducted from taxable income when a fixed asset is sold, according to some specific rates , to mitigate the inflation effect.	Repealed in 2015.

Tax rates:

<i>Type of enterprise</i>	<i>Álava</i>	<i>AEAT</i>
Large	24%	General: 25%
SME	20%	
Micro	20%	Reduced: 23% if net turnover is less than 1 million euro.
Cooperative	19%	Depending on the region

Tax credits:

<i>Concept</i>	<i>Álava</i>	<i>AEAT</i>
Investments in new tangible fixed assets	10% tax credit can be applied for investments in new tangible fixed assets.	It doesn't exist
	5% tax credit can be applied for investment in those assets that are improvements or investments in leased assets carried out by lessees.	
Research and Development (R&D)	30% tax credit can be available for expenses incurred from R&D activities. 35% if they are exclusively linked to reducing negative environmental impact.	25% tax credit can be available for expenses incurred from R&D activities.
	If the expenses are higher than the average expenses incurred during the previous two years, the tax credit is 50% on the excess amount. 55% if they are exclusively linked to reducing negative environmental impact.	If the expenses are higher than the average expenses incurred during the previous two years, the tax credit is 42% on the excess amount. An additional 17% tax credit can be available for certain expenses.
	An additional 20% tax credit can be available for certain expenses.	8% tax credit for investments in tangible fixed assets (excluding buildings), related to R&D.
	10% tax credit for investments in tangible fixed assets (excluding buildings), related to R&D.	
Technological innovation	A 15% or 20% tax credit.	12% tax credit
Expenses incurred for environmental issues	A 15% or 35% tax credit.	It doesn't exist
Job creation	7,000 euro for each employee and financial year. Some requirements must be fulfilled.	Only for entrepreneurs and people with disabilities.
Implementation of measures to promote work-life balance	A 5% or 15% tax credit, increased by 5% in the case of micro-enterprises and small businesses.	It doesn't exist

Limits on the amount of tax credit applied:

In both territories apply quantitative limits on the amount of tax credit that can be applied by an entity:

<i>Concept</i>	<i>Álava</i>	<i>AEAT</i>
Quantitative limits	General: 35% of gross tax payable	General: 25% of gross tax payable
	Increased: 70% of gross tax payable for R&D tax credits and 50% for environmental tax credits.	Increased: 35% of gross tax payable if R&D tax credits > 10% of the gross tax payable.
	Time limit: 30 years .	Time limit: 15 years (18 years R&D).

Sources:

- Norma Foral 37/2013, de 13 de diciembre, del Impuesto sobre Sociedades (consolidated text)
- Ley 27/2014, de 27 de noviembre, del Impuesto sobre Sociedades (consolidated text)