

The minimum corporate income tax rate will be calculated on the taxable base and will not affect deductions for double taxation

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Get in touch with PwC Tax and Legal Services

Ignacio Quintana Elena

Socio responsable del sector
Tecnología en PwC Tax & Legal

ignacio.quintana.elena@pwc.com

In accordance with the draft of the General State Budget Law for the year 2022, for tax years beginning on or after January 1 of said year, a minimum taxation of 15% of the taxable base will be applicable for entities with a net turnover of at least twenty million euros or for tax groups, regardless of their turnover.

Under the current wording of the regulation the following tax incentives will be out of this minimum taxation:

- I. Tax loss carryforwards.
- II. The capitalization reserve.
- III. The equalization reserve.
- IV. Allowances.
- V. Deductions for double taxation.
- VI. Deductions established by the Canary Islands Economic Tax Regime.
- VII. The taxable base affected by the regime of the Canary Islands Special Zone (ZEC).
- VIII. Tax credits for investments made by the port authorities

Considering the above, the regulation would affect the application of the following tax credits:

- I. Tax credits for research and development and technological innovation activities.
- II. Tax credits for investments in cinematographic productions, audiovisual series and live shows of performing arts and music.
- III. Tax credits for job creation.
- IV. Tax credits for job creation for disabled workers.

Deductions not used because of this new rule may be deducted in subsequent tax periods.

Although the wording is not clear, the rule does not seem to affect the possibility of requesting the payment in cash of R&D tax credits or those related to foreign productions of films or audiovisual works. However, it would be highly advisable that this circumstance be clarified at the parliamentary processing stage.

The minimum taxation will be 10% for newly created entities and 18% for credit institutions and for those linked exploration, research and exploitation of hydrocarbon deposits and subway storage facilities.