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Tax Law Department

FISCAL ALERT: ENERGY-RELATED TAX MEASURES AND ALSO FOR OTHER SECTORS, TO RESTART THE ECONOMY: AUTOMOBILE INDUSTRY

The Official State Gazette of 24 June published [Royal Decree-Law 23/2020, of 23 June, passing into law energy-related measures and also regarding other sectors, in order to restart the economy.](#)

This Royal Decree sets out a series of tax incentives that will apply to Company Tax:

- The RDL, on the one hand, establishes **improved IS tax deduction percentages for Technology Innovation**, which will apply to production processes in the automobile sector value chain. Companies will be able to apply a 25% deduction for tax periods commencing in 2020 and 2021 (Article 7 Royal Decree).
- Additionally, pursuant to Final Provision Four of the Royal Decree, a new Additional Provision 16 is now included in the Company Tax Act, and refers to **freedom to amortise** investments in the electric, sustainable or connected mobility value chain.

To sum up, there will be freedom to amortise, affecting investments **in new elements of tangible assets used in:**

- sensors and monitoring of the production chain.
- implementing manufacturing systems based on modular platforms or with a lower environmental impact.

As long as the tangible assets concerned are used for the automobile industry and the taxpayer makes the funds available during 2020.

A series of **pre-requisites** are also required for the freedom to amortise to apply:

- Average personnel numbers must be maintained as compared to the average personnel numbers for the year 2019, for 24 months from the start date of the tax period during which the purchased elements come into

operation.

- The Law establishes a ceiling of €500,000 on the deductible investment amount to which the announced freedom to amortise applies.
- Freedom to amortise applies from the date on which elements suitable for the deductions come into operation, necessarily before the end of 2021.
- The measures announced to not apply to property.
- Interested parties must draw up a proposal/report stating grounds, to be submitted to the Ministry for Industry, Trade and Tourism and deemed binding as far as the Spanish Tax Authorities are concerned, when classifying such investment as suitable for the proposed tax deductions.