

Barcelona, 11 April 2016

Dear Client,

As usual around this time of year, the date is approaching to make the first partial payment of Corporate Income Tax for the ongoing financial year which, together with the other two payments, must be made during the **first 20 days** of **April, October** and **December** of this year. This obligation extends to all residents in Spain, except for new public limited companies during the first two tax years completed since their incorporation and undertakings that enjoy a full exemption on the Corporate Income Tax.

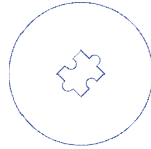
There are two methods of partial payment for which the taxpayer may opt on the corresponding tax registration form. However, the second method examined is obligatory for taxpayers whose net turnover has exceeded the amount of EUR **6 million** in the 12 months preceding the date on which the tax period of the corresponding partial payment begins.

METHOD 1: CALCULATION ON THE BASIS OF THE TAX PAYABLE IN THE PREVIOUS YEAR
(ARTICLE 40.2 LIS)

Undertakings subject to this method must make a fixed partial payment of **18%** of the **total adjusted tax liability for the last tax year**, whose regulatory deadline for filing a return was due on the first day of each of the months in which such partial payment must be submitted, that is, April, October and December.

The taxable income to which the aforementioned percentage is to be applied, shall be the total tax liability referred to above, net of the following items:

- Subsidies that may be applicable.



- Deductions to encourage the performance of certain activities.
- Interim withholdings and payments for the tax period.

If the calculation result is **zero or negative**, there is no obligation to file.

METHOD 2: CALCULATION ON THE BASIS OF THE TAXABLE INCOME OF THE CURRENT FINANCIAL YEAR (ARTICLE 40.3 LIS)

Under this method, taxpayers must determine the amount of the partial payment by applying a specific percentage to the calculation basis for each period.

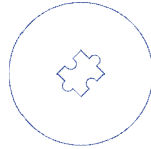
The percentage shall be obtained by multiplying by $\frac{5}{7}$ the tax rate that applies to each taxpayer. The result of this calculation is rounded by default. For example, the general rate of 25% will give a rate of 17% for the partial payment.

The basis for calculation shall be the portion of the **taxable income of the first 3, 9 or 11 months of each calendar year**, from which the relevant taxpayer subsidies and interim withholdings and payments which have been made and the previous partial payments made during the year will be deducted.

DEVELOPMENTS TO BE TAKEN INTO ACCOUNT FOR THE 2016 FINANCIAL YEAR: CALCULATION BASIS UNDER METHOD 2

Since the temporary measures that had been implemented have not been extended, for partial payments under this method relating to periods beginning in 2016, the following developments compared to the previous regulation must be taken into account:

- **Goodwill:** This is now no longer impaired in memorandum accounts, and is currently amortized for both accounting and tax purposes. However, the maximum percentage of tax amortisation will be 5%, although small companies may apply the appropriate multiplier.

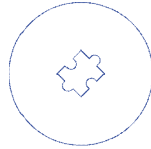


- **Dividends and income from shares in the capital or equity of undertakings:** It is not necessary to include 25% of the amount of dividends and income that correspond to shares in the capital or equity of non-resident undertakings, to which the new exemption provided for in Article 21 of the Corporate Income Tax law is applicable. Nor should the amount of dividends and income that correspond to shares in the capital or equity of resident undertakings be included when they are exempt under the said Article 21.
- **Tax Losses:** Regardless of the turnover, tax losses may be offset against positive income in the following tax periods up to a limit of 60% of the taxable income prior to the application of the capitalization reserve and the offsetting thereof. In any case, tax losses may be offset up to the amount of EUR 1 million.
- **Minimum payment:** Undertakings whose net turnover in the previous 12 months was equal to or more than EUR 20 million were required, until 2016, to make a minimum instalment by way of partial payment. This measure has not been extended in 2016, and thus the aforementioned minimum instalment disappears.
- **Reductions due to application of Capitalization and Levelling reserves:**

As was the case in 2015, small companies may continue to apply the levelling reserve reduction in calculating their partial payment.

In addition, in partial payments corresponding to tax periods beginning in 2016, it will be possible to reduce the taxable income by the amount of sums generated through increases in Equity in 2015, which it was not possible to deduct due to insufficient taxable income in the 2015 settlement.

Finally, it should be noted that for the first partial payment for the year 2016, tax return form 202 has not been modified, since undertakings whose financial year does not coincide with the calendar year remain under obligation to perform the partial payment according to the previous regulation insofar as they do not begin a new period in 2016.



However, where the new calculation system is applicable, it should be noted that the following boxes must not be completed:

KEY [09]. 25% OF THE AMOUNT OF THE DIVIDENDS AND INCOME ACCRUED FROM A FOREIGN SOURCE

This box shall not be completed for tax periods beginning in 2016.

KEY [43]. 100% OF THE AMOUNT OF DIVIDENDS AND INCOME ACCRUED FROM RESIDENT UNDERTAKINGS

This box shall not be completed for tax periods beginning in 2016.

KEY [33]. MINIMUM PAYMENT (FOR COMPANIES WITH TURNOVER EQUAL TO OR GREATER THAN EUR 20 MILLION)

This box shall not be completed for tax periods beginning in 2016.

In addition to the professionals who normally work with your company, you are welcome to contact **Lorena Marquina, Xavier Latorre, Mónica Mirabet and Javier Aquilué** who will be pleased to provide any clarification or further information you may require with regard to this circular .

Yours faithfully,
AUDICONSULTORES

The sole and exclusive purpose of this circular is to provide its addressees with selected content providing general information on employment, tax-related or legal developments and issues, without this in any way constituting professional **advice** or being sufficient for taking personal or business decisions.

© 2016 Audiconsultores Advocats i Economistes SLP. All rights reserved