

Tax News

Tax measures for the Automotive industry:

Increase of the deduction for technological innovation in the automotive industry and freedom to amortize of investments made in the value chain of electric, sustainable or connected mobility.

The Spanish Government published in the Official State Gazette (BOE) on 24 June 2020, Royal Decree Law 23/2020 of 23 June, approving measures in the area of energy and other areas for economic recovery, which came into force on 25 June 2020.

Two measures are introduced in the area of taxation, specifically for Corporate Income Tax: (i) the increase of the deduction for technological innovation activities of production processes in the automotive industry value chain and (ii) the freedom to amortize of investments made in the value chain of electric, sustainable or connected mobility.

1. Increase in the Corporate Income Tax deduction for technological innovation activities in production processes in the automotive industry value chain

With effect from the tax periods beginning in 2020 and 2021, and in order to encourage investment in process innovation in the automotive industry value chain in Spain, the percentage of the deduction for process innovation in corporate income tax is increased.

In this regard, the deduction is increased from 12% to 25% for expenses incurred in carrying out technological innovation activities that result in technological progress in obtaining new production processes in the automotive industry value chain or substantial improvements to existing ones.

In order to apply this deduction, the entity must have a reasoned report on the qualification of the activity as a technological innovation whose result is a technological advance in obtaining new production processes in the automotive industry value chain or substantial improvements to existing ones.

2. Freedom to amortize of investments made in the value chain of electric, sustainable or connected mobility.

The possibility of applying the freedom to amortize investments made in 2020 in new tangible fixed assets involving the sensorization and monitoring of the production chain, as well as the implementation of manufacturing systems based on modular platforms or those that reduce environmental impact, is introduced into the Corporate Income Tax Law.

The maximum amount of the investment that can benefit from this tax measure will be 500,000 euros.

Requirements for the application of the freedom to amortize:

- During the 24 months following the date of commencement of the tax period in which the acquired tangible fixed assets come into operation, the entity's total

average workforce must be maintained with respect to the average workforce for 2019.

- The freedom to amortize will be applicable as soon as the eligible tangible fixed assets come into operation, which must be before the end of 2021.
- Taxpayers must provide a reasoned report issued by the Ministry of Industry, Trade and Tourism to qualify the taxpayer's investment. Such report shall be binding on the Tax Authorities.
- Real estate is not covered by this tax measure.
- Small-sized entities may choose between the freedom to amortize provided for small-sized entities or apply the new system of freedom to amortize described above.