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# Autonomous region of Valencia – New tax measures in 2023

## Approval of a new tax allowance and improvements to inheritance and gift tax

Spain - Legal flash

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### Key aspects

The **Regional Government of Valencia** has published **Act 6/2023, of November 22**, the aim of which is to ease the burden of inheritance and gift tax imposed on **inheritances and gifts made between closely related relatives**.

Act 6/2023 approves the following measures:

- **A new regional allowance set at 99% for acquisitions through gifts made by donors to their spouse, parents, adoptive parents, children, adopted children, grandchildren and grandparents.**
- **An increase in the percentage of the regional allowance from 50%-75% to 99%, applicable to tax rate for *mortis causa* transfers to descendants, adopted children, spouses, ascendants, and adoptive parents of the deceased.**



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## Amendment of inheritance and gift tax in the autonomous region of Valencia

The regional legislation governing **inheritance and gift tax** (“IGT”) has been amended under **Act 6/2023 of the Regional Government of Valencia, of November 22**, amending **Act 13/1997, of December 23, regulating the regional rate of personal income tax and other assigned taxes, with regard to inheritance and gift tax** (“Act 6/2023”). It is worth highlighting that **all of the measures approved** under Act 6/2023, apply to transfers made either *inter vivos* (gifts) or *mortis causa* (inheritances) that are made (and accrue) **from May 28, 2023**. The new law thus applies with retroactive effect.

These tax amendments **significantly reduce the tax burden** resulting from *inter vivos* or *mortis causa* transfers made to close relatives. If the IGT had been settled previously for taxable events occurring from May 28, 2023, it would be worth analyzing whether these measures are applicable and, thus, whether it would be advisable to **claim, if appropriate, a refund of undue amounts paid**.

### Reductions on grounds of kinship for *inter vivos* transfers (gifts) to calculate the net taxable income

Act 6/2023 provides a new wording as to **the reduction for calculating the net taxable income on the grounds of kinship**, introducing **improved measures to be implemented from May 28, 2023**, given that (i) it eliminates the requirement whereby the beneficiary was obliged, before receiving the gift, to have a pre-existing wealth equal to or less than €600,000; (ii) it includes the donor’s spouse in the subjective scope of the reduction; (iii) it includes the possibility of applying this reduction to direct gifts made by grandparents to grandchildren, and vice versa, without the gift being subject to the death of the relative linking them (i.e., the child of the grandparents or parent of the grandchild); and (iv) it eliminates cases occurring in the ten years immediately preceding the transfer in which the reduction would not apply.

However, **this is not the most notable amendment introduced under Act 6/2023**, which also substantially reduces the rate to be paid by **introducing a 99% regional allowance** for *inter vivos* transfers (gifts) made to relatives, as explained below.

### Allowance for kinship or disability rebate applicable to *inter vivos* transfers (gifts)

Under Act 6/2023, **and effective from May 28, 2023**, a **new 99% allowance** will be applicable to **gifts made by donors to their spouse, parents, adoptive parents, children, adopted children, grandchildren and grandparents**, as long as the gift is executed in a **public deed**.



This new 99% allowance also applies to **inter vivos transfers** to individuals that are not related to the donor and that have a physical or sensory **disability** of 65% or above, or that have a mental disability of 33% or above.

ALLOWANCES FOR <i>INTER VIVOS</i> TRANSFERS			
	Beneficiaries <i>inter vivos</i> transfers	Applicable law	Regulation draft bill
Allowance for kinship	Donor’s spouse, parents, adoptive parents, children, adopted children, grandchildren and grandparents	N/A	99%
Allowance for disability	Individuals with a physical or sensory disability of 65% or above, or individuals with a mental disability of 33% or above	N/A	99%

**Allowance for kinship or disability rebate applicable to *mortis causa* transfers (inheritance)**

Act 6/2023 increases the **allowance for kinship** to 99%. The increase is applicable to all relatives in Groups I and II, **and is effective from May 28, 2023.**

This new **99% allowance**, which replaces the previous 75% allowance, also applies to ***mortis causa* transfers** to individuals that are not related to the deceased and that have a physical or sensory **disability** of 65% or above, or that have a mental disability of 33% or above.

ALLOWANCES FOR <i>MORTIS CAUSA</i> TRANSFERS			
	Beneficiaries <i>mortis causa</i> transfers	Applicable law	Regulation draft bill
Allowance for kinship	Descendants and adopted children aged under 21 years (Group I)	75%	99%
	Descendants and adopted children aged 21 years and over, spouses, ascendants, and adoptive parents	50%	
Allowance for disability	Individuals with a physical or sensory disability of 65% or above, or individuals with a mental disability of 33% or above	75%	99%



## Conclusions

The new IGT regulation, approved under Act 6/2023, affects ***inter vivos* and *mortis causa* transfers carried out from May 28, 2023**, that are subject to the **legislation of the autonomous region of Valencia**. Thus, the regional legislation will apply, among other cases, when the deceased (*mortis causa* transfers) or the donor is a resident in that region, or when the property being transferred is located there (*inter vivos* transfers).

Also, it is worth noting that although the approved regulation may significantly reduce the IGT rate resulting from transfers, it is necessary to analyze the **impact these transfers may have for the purposes of other taxes**.

Finally, we would like to mention that Act 6/2023 does not make any amendments to the applicable **wealth tax** regulations, which lower the rate of this tax for taxpayers that are subject to the regional legislation. These regulations establish a maximum rate of 3.75% for net taxable income exceeding €10 million, as set out in Act 9/2022, which we further analyze in our [legal flash | Tax measures approved in the autonomous region of Valencia](#).

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