
The Madrid City Council introduces new tax credits on business tax (IAE) and property tax (IBI)

Legal flash

June 1, 2020

To mitigate the economic impact of COVID-19 on certain business activities, the City Council of Madrid has introduced new tax credits on business activity tax (“IAE”) and property tax (“IBI”).



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- 25% or 50% tax credit on IAE payments for 2020 and 2021 in the case of certain activities liable at municipal tax level and subject to being declared of special-interest or municipal utility.
 - 25% tax credit on the full tax base for IBI in the case of real estate registered in the cadastre as being used for leisure and hospitality, commercial purposes, or for performances and cultural events considered of special interest or municipal utility.



From June 1, 2020, the City Council of Madrid has introduced new tax credits on the full tax base for IAE and IBI.

The aim of the discounts is to mitigate the economic impact of COVID-19 on certain business activities, and taxpayers must request them from the city council.

Business activity tax

- For the purposes of the 2020 and 2021 tax periods, a 25% tax credit on the full tax due for IAE has been established for taxpayers that request the reduction and carry out certain activities in the economic sectors of leisure and sports, hospitality, restaurant, commerce, culture, performances and medical research. The list of business activities eligible to benefit from this tax credit in the tax ordinance regulating IAE is available at this [link](#).
- The tax credit is contingent on the taxpayer being liable for IAE at municipal level, and the council declaring the activity as being of special interest or municipal utility. In any case, an activity is considered of special interest or municipal utility if it has been carried out since before March 15, 2020, and will continue to be carried out until December 31, 2020.
- The percentage of the tax credit is set at 25%, or 50% if the taxpayer had fewer than 10 employees on March 1, 2020.
- The tax credit must be specifically applied for. Taxpayers have 30 calendar days from May 31, 2020, to submit a request to the city council for the activity they conduct to be declared of special interest or municipal utility.
- For the tax credit to apply in the 2021 tax year, there is a further requirement to maintain jobs.



Property tax

- For the sole purpose of the 2020 tax year, a 25% tax credit can be applied for on the full tax due for IBI, in the case of certain real estate declared of special interest or municipal utility.
- The real estate will be considered of special interest or municipal utility if the activity conducted in it has been carried out since before March 15, 2020, and will continue to be carried out until December 31, 2020, as long as it is registered in the cadastre as being used for leisure and hospitality, commercial purposes, or for performances and cultural events.
- Special requirements are laid down if the business owner carrying out the activity in the property is not the same person as the taxpayer (e.g., if the property is rented). In these cases, the taxpayer must also prove that it has granted the business owner carrying out the activity a moratorium or deferral on rent payments, a reduction on these payments, or that it has adopted any other similar measure aiming to help keep the activity running, whether within the framework of articles 1 and 2 of Royal Decree-Law 15/2020, of April 21, adopting additional emergency measures to support the economy and employment (see our [legal flash](#) for more information), or through an agreement reached freely by both parties.
- The tax credit will not apply if the business owner's tax domicile is located in a tax haven.
- The tax credit must be specifically applied for. Taxpayers have 30 calendar days from May 31, 2020, to submit a request to the city council for the activity they conduct to be declared of special interest or municipal utility.



For additional information, please contact Cuatrecasas.

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