

## KEY FACTS

# SPANISH HOLDING COMPANIES

SPANISH HOLDING COMPANIES, OR ENTIDAD DE TENENCIA DE VALORES EXTRANJEROS (ETVES), ARE SPANISH CORPORATE VEHICLES FOR CHANNELING INTERNATIONAL INVESTMENTS. THESE VEHICLES BENEFIT FROM A SPECIAL TAX REGIME THAT SIGNIFICANTLY REDUCES THE TAX BURDEN ON FOREIGN PROFITS, MAKING THEM HIGHLY ATTRACTIVE TO INTERNATIONAL INVESTORS — PARTICULARLY THOSE IN LATIN AMERICA.

The key benefit of ETVEs is the tax treatment of capital gains and dividends received, especially when combined with double tax treaties.

Companies under the ETVE regime are Spanish resident companies whose corporate purpose must include the management of securities issued by companies that are non-resident in Spain and follow certain requirements detailed below. ETVEs may also carry on business in Spain or abroad, in which case they are subject to Spanish corporate income tax.

### PRINCIPAL FEATURES

- > ETVEs may carry out other business activities in addition to those of a pure holding nature
- > The shares of ETVEs must be nominative; shares issued to the bearer are not allowed
- > No prior authorisation by the tax authorities is required, but the Ministry of Finance must be notified that the corporate vehicle will be treated under the ETVE regime
- > The non-resident entity must not reside in any of the countries or territories reported by the Spanish tax authorities as a non-cooperative jurisdiction, and dividend distribution cannot be made to a non-cooperative jurisdiction without losing the advantages of the special regime; the full list of jurisdictions in this classification can be accessed [here](#)

### BENEFITS

- > Low minimum capital requirements (€3,000)
- > Lower administration costs compared to other EU jurisdictions
- > Access to Spain's double tax treaty network spanning across over 100 countries
- > No exchange controls
- > The sale of shares of a Spanish company is not subject to stamp tax
- > No thin capitalization rules
- > Tax losses may be carried forward for an unlimited amount of time

### TAXATION

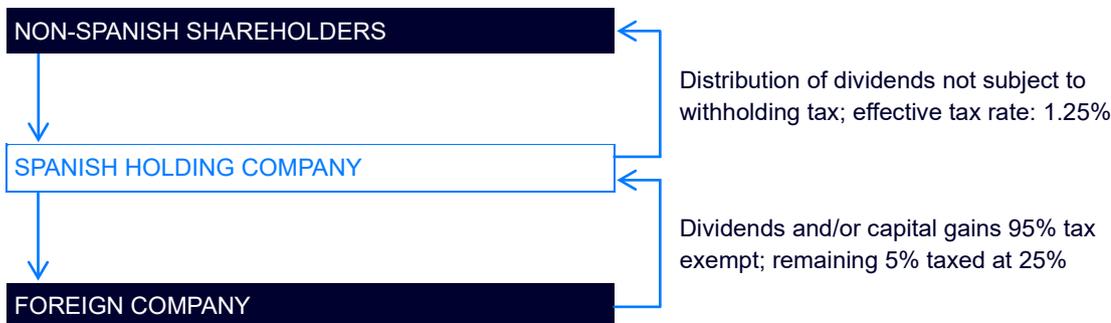
- > Dividends and capital gains received by the ETVE from a foreign qualifying participation are 95% exempt from corporate income tax
- > Capital gains arising from the sale of the shares of the ETVE are not subject to taxation in Spain
- > Distribution of dividends from the ETVE to a non-resident shareholder are not subject to withholding tax in Spain unless the shareholder is resident in a non-cooperative jurisdiction

- > The acquisition of shares is usually not subject to indirect taxation unless, under certain circumstances, the target company owns significant real estate (more than 50% of total assets)
- > As an EU member, the application of provisions in the Parent-Subsidiary Directive and Interest and Royalties Directive result in further tax planning opportunities

### REQUIREMENTS TO BE MET TO BENEFIT FROM THE ETVE REGIME'S TAX ADVANTAGES

- > All foreign subsidiaries must have appropriate human and material resources.
- > All foreign subsidiaries managed by the holding company must be subject to corporate income tax in the country of residence. This tax system must be similar to or the same as Spanish corporation tax. Any subsidiary based in a non-cooperative jurisdiction is excluded from benefitting from ETVE status. This requirement is complied with when the subsidiary is resident in a country that has signed a double tax treaty with Spain.
- > The subsidiary businesses within a holding company must be active, otherwise they will be considered asset-holding companies.
- > The holding company must hold a minimum of 5% of the share capital of the dependent companies and subsidiaries.
- > This 5% shareholding must have been held for 12 months, or shown to be assigned as such for an uninterrupted subsequent period of 12 months before the date on which the dividends are payable or before the date of the transfer. In case of dividends, the one year period of shareholding could be complied with after the dividends are received.

### THE USE OF A SPANISH HOLDING COMPANY



*Legal disclaimer: The information and comments in this document are general and should not be considered as advice in relation to any particular circumstance.*

*ETVE benefits are subject to certain conditions being met.*

- ▶ PEOPLE LED
- ▶ TECH ENABLED
- ▶ GLOBAL COVERAGE
- ▶ TAILORED SERVICE
- ▶ 1,100 STAFF
- ▶ 25 JURISDICTIONS
- ▶ 47,000 ENTITIES
- ▶ \$177BN AUA
- ▶ FUNDS
- ▶ PRIVATE CLIENTS
- ▶ CORPORATE CLIENTS
- ▶ MARITIME

[TRIDENTTRUST.COM](https://tridenttrust.com)