

UNBEATABLE ADVANTAGES TAXATION ASPECTS



In the Autonomous City of Melilla there are major tax allowances and exemptions.

The Autonomous City of Melilla comes under the Spanish taxation system, but with certain changes that translate into significant advantages or incentives in:

DIRECT TAXES

- Rebate of 50% in Corporate Income Tax.
- Rebate of 50% in Personal Income Tax (IRPF).
- Rebate of 50% in Inheritance and Donations Tax.

INDIRECT TAXES

- Exemption from Value Added Tax (VAT).
- Exemption from taxes on beer, alcoholic beverages, tobacco and hydrocarbons.
- Rebate of 50% in Transfer and Stamp Tax.

MUNICIPAL TAXES

- Rebate of 50%.



■ 1 DIRECT TAXES

Act 4/2004 of March 5th, on Corporate Income Tax. Section 33. Allowance for income obtained in Melilla. 1. There will be a rebate of 50% on the part of tax payable pertaining to income obtained by entities that effectively and materially operate in Melilla or places under its jurisdiction.

Act 35/2006 of November 28th, on Personal Income Tax. Section 68.4. Deduction for income obtained in Melilla. Taxpayers normally resident in Melilla will have a deduction of 50 % on the part of the total taxable amounts payable to State and Autonomous Region or complementary of the income obtained in Melilla.

CORPORATE INCOME TAX

Companies and entities that effectively or materially operate in Melilla benefit from a 50% rebate on the total tax payable on income and increases in wealth obtained. This rebate is limited exclusively to:

- Entities tax-registered in Melilla, for profits or wealth increases they can prove they have obtained in the autonomous city.
- Entities that are non-resident or not tax-registered in Melilla, for profits or wealth increases they can prove they have obtained in the autonomous city through a permanent establishment.

PERSONAL INCOME TAX

Taxpayers submitting returns can deduct 50% of the payable tax on income tax in relation to the proportion pertaining to income obtained in Melilla.

This deduction is applicable to non-residents in Melilla as regards the income from securities representing the share capital of domiciled legal entities, as well as the income from permanent establishments located therein.

INHERITANCE AND DONATION TAX

A rebate of 50% is given on the tax payable arising from:

- Acquisitions "mortis causa" and the amounts received by the beneficiaries of life insurance policies, as long as the deceased had had his/her usual residence in Melilla on the date of accrual and for the five years prior thereto.
- Acquisitions "inter vivos", for the proportional part that pertains to buildings located in Melilla.
- Other acquisitions "inter vivos", when the acquirer had his/her usual residence in Melilla.



■ 2 INDIRECT TAXES

VAT. Melilla is excluded from the sphere of application of this tax.

EXEMPTION FROM VALUE ADDED TAX (VAT)

Melilla is excluded from the sphere of application of this tax under the statutes that regulate it (Act 37/92 of December 28th) and their corresponding regulation (RD 1624/1992).

Instead of the usual indirect taxes, which are not applicable, in Melilla there is a specific tax, the IPSI (Tax on Production, Services and Importation), which replaces VAT and involves low rates of between 0.5% and 10%, with a mean rate of 7%.

In Melilla no taxes are applied on spirits and derived beverages, beer, hydrocarbons and tobacco.

SPECIAL TAXES

There is an exception in Melilla in application of the following taxes:

- Tax on spirits and derived beverages.
- Tax on beer.
- Tax on hydrocarbons.
- Tax on tobacco products.

For spirits, beer, tobacco and hydrocarbons the special tax regime of Melilla allows the retail prices to be between 30% and 50% lower than those of Peninsular Spain.

TRANSFER AND STAMP TAX

There is a rebate of 50% on:

- Graduated fee on notary documents levied on notary-testified legal documents, when the Registry at which they must be registered is in Melilla.
- The tax payable on corporate operations.
- The tax payable on asset transfers against payment.



■ 3 MUNICIPAL TAXES

R. Legislative R.D. 2/2004 of March 5th, Regulating Local Tax Offices. S. 159: Rebate of 50% on the tax payable on such municipal taxes when they are payable in the Autonomous City of Melilla.

There is a general rebate of 50% for all these taxes, as well as any rebates that might be laid down in the ordinances of each municipal tax.

