

# [ES] Tax Deduction for Costs Incurred by Foreign Productions in the Spanish Territory

**IRIS 2015-2:1/14**

*Enric Enrich  
Enrich Advocats, Barcelona*

On 1 January 2015, the new text of the Corporate Income Tax Act (Ley 27/2014, de 27 de noviembre, del Impuesto sobre Sociedades) came into effect, having been announced last year. Notably, the new Article 36 concerns tax deductions for investment in film productions and audiovisual series. In this regard, Article 36, paragraph 1, contains the tax deduction for investments in Spanish productions, which is set at 20% for the first EUR 1 million and 18% for the remaining costs.

In addition, Article 36, paragraph 2, of the new act establishes a deduction of 15% of the direct costs incurred in Spanish territory by Spanish producers directly related to foreign productions, if the costs incurred in Spanish territory are at least EUR 1 million. The deductible costs include creative personnel expenses, provided these are tax resident in Spain or in a Member State of the European Economic Area, with a limit of EUR 50,000 per person, and the expenses arising from the use of technical industries and other providers. The amount of this deduction may not exceed EUR 2.5 million for each production made. The amount of this deduction, together with other aid received by the taxpayer, may not exceed 50% of the cost of production.

These percentages have been highly criticised by Spanish producers, as they are considered a very poor figure, compared to the tax deduction in other countries. In Spain, the Canary Islands remain a very competitive destination thanks to deductions of 38%, one of the highest in Europe, which together with an ideal climate and an exotic landscape makes it a key destination. That has allowed recent foreign productions to take place there, such as *Fast & Furious 6*, *The Dictator*, *Exodus*, *Clash of the Titans*, *Wrath of the Titans* and the upcoming *The Man Who Killed Don Quixote*.

## ***Ley 27/2014 del Impuesto sobre Sociedades, de 27 de noviembre***

<http://www.boe.es/buscar/act.php?id=BOE-A-2014-12328>

