ALAE ABOGADOS

24 th November, 2010

Sumary

1.- **Tax measures to promote economic activity in the Region of Madrid.**

2.- **Agreement between Spain and Andorra to exchange information on tax matters.**

3.- **A new package of tax measures.**

1.- Tax measures to promote economic activity in the Region of Madrid.

The law 5/2010 of 12th July, of tax measures to promote economic activity in the Region of Madrid, published in the B.O.E. on 23th November 2010, introduces three measures in the Personal Income Tax (hereinafter PIT).

The first measure is to establish a new regional deduction to young businessmen or professionals under 35 years of age, that will be able to apply a deduction of 1.000 Euros, always that (i) they begin their activity during 2010, (ii) they develop their activity in the territory of the Region of Madrid and, (iii) the taxpayers maintain their activity during one year.

This deduction will apply after 23th February until 31th December, 2010.

On the other hand, with the aim of promote the participation of private investors in productive units with potential growth in the Region of Madrid, the second measure is that taxpayers may deduct from the PIT basis 20% of the amounts invested in the purchase of shares for process of capital increase or public offering of values, in both cases through companies of the Alternative Investment Market, in both cases through companies of the Alternative Investment Market, with a maximum deduction of 10.000 Euros, always that the taxpayer meets the following requirements: (i) The shares will be kept at least for two years, (ii) The participation in the company cannot exceed 10% of the share capital, (iii) The company in which the investment is made, must have a corporate and tax domicile in the Region of Madrid, and its main activity should not be the managing or real estate assets.

This deduction will be applied to investments made after 23th February until 31th December, 2010.

Finally, to calculate the regional tax rate of the PIT, regarding the minimum amounts due to descendants, it will be applied the following rules replacing those of art. 58 of the Law 35/2006 of 28th November: (i) 1.836 Euros per year for the first descendant that generates the right to apply the minimum of descendants, (ii) 2.040 Euros per year for the second, (iii) 4.039,20 Euros per

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year for the third, and (iiii) 4.600,20 Euros per year for the fourth and following.

When the descendent is younger than three years old, the amount corresponding to the minimum per descendant, listed in the precedent paragraph shall be increased by 2.244 Euros per year.

This measure will be in force along with the Law of the Assignment of Taxes of the State to the Region of Madrid and setting the scope and conditions of such assignment, but shall take effect from 1st January, 2010.

2. Agreement between Spain and Andorra to exchange information on fiscal matters.

The agreement signed in January of this year between the Spain and Andorra to exchange information on tax matters has been ratified by both Parties.

This Agreement shall apply to the following taxes:

a) As for Andorra: (i) Tax on real state capital transfers, (ii) Tax on capital gains in the real state capital transfers and direct taxes existing in the laws of Andorra.

b) As for Spain: (i) Personal Income tax, (ii) Corporate tax, (iii) Inheritance and gift tax, (iv) non resident income tax, (v) Wealth tax, (vi) Property transmission tax, (vii) value added tax, (viii) Special tax , (ix) Local income and capital tax.

Confidentiality is one of the key points of this Agreement, and all information collected by a Party under this Agreement shall be treated as confidential and only be communicated to persons or authorities under the jurisdiction of the Contracting Party responsible for the management or collection of taxes. Those persons or authorities may use such information for such purposes and may disclose the information in public court proceedings or in judicial decisions, but not to any other foreign authority.

The Parties shall issue rules, laws and regulations necessary to comply with and give effect to the provisions of this Agreement.

The Agreement shall enter into force after a term of three months from the date of receipt of the last notification between the two countries through diplomatic channels, and shall take effect for items that may constitute a crime and for tax liabilities generated from that date or later.

3.- A new package of tax measures.

The broadcast are informing that the government is considering tax-exemption of the capital increases and also a generalization of free amortization.

During the debate on employment monograph in the Congress, the President

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of the Government has announced an "action plan" for the next 15 months, which will be discussed on next Minister´s Meeting. This plan includes the development of labor reform, the reform of pensions, collective negotiation, active employment policies, public sector downsizing and other matters.

Apparently, before the end of this year, the Government will present a package of measure to eliminative and simplification administrative burdens, that package will imply savings for business activity.

Such package world included the free amortization in the business investments until 2015 would apply to all companies instead of only to companies of small dimension. Also, it is order consideration that the increase of capital of any company and not only for PYMES, as it was originally planned, will be exempt from transfer of patrimonial tax and legal acts documentary tax.

Likewise, it has been announced that from January 2011, all ICO lines will be reinforced with 1,000 million from the Fund for a Sustainable Economy, and also, finance projects of incorporation of new technologies with a budget of 300 millions.

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