

# The new 2020 Spanish tax incentives for the filming industry upgrade Spain as one of the most attractive locations to shoot films and TV shows

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*The Royal Decree-law 17/2020 of 5 May 2020, has significantly improved the tax incentives for film and TV series producers through the increase of both the applicable tax rates and maximum tax credit.*

Spain is a very well known location for shooting films and TV shows due to its variety of settings and surroundings, jointly with a strong and professional local industry that can efficiently act as film production service companies ("**Line Service producers**").

Further to the adoption of Royal Decree-law 17/2020 last 5 May 2020, effective as of the tax periods starting on or after 1 January, 2020, the Spanish tax incentives for the filming industry previously in force have been enhanced with significant improvements i.e. higher tax rates and increase of the caps previously applicable.

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It is noteworthy that the improvement of the tax incentives also applies to the Canary Islands that can benefit, as a general rule, from an 80% increase of the national tax rates with a minimum spread of 20%. Conversely, the tax schemes applicable in Navarra or the Basque Region have not been modified yet.

The tracking of these changes are summarised below.

**A. Tax rebates<sup>1</sup> and tax credits for foreign films and TV series:**

	Previous regulation	Changes introduced by Royal Decree-law 17/2020
Scope	Foreign films and TV shows	None (same scope)
Tax rebate rates	20% (40% in the Canary Islands) of the expenses incurred in Spanish territory provided that they exceed EUR 1 Million (the " <u>Threshold</u> ").	<ul style="list-style-type: none"> <li>▪ <b>30% (50% in the Canary Islands)</b> for the first EUR 1 Million; and</li> <li>▪ <b>25% (45% in the Canary Islands)</b> for the excess.</li> </ul> <p><b>The same EUR 1 Million Threshold applies, however, for preproduction and postproduction expenses incurred in Spain in connection to animation and visual effects, the EUR 1 Million Threshold would be reduced to EUR 200,000.</b></p>
Maximum tax rebate	EUR 3 Million per production (EUR 5.4 Million in the Canary Islands). The amount of the tax rebate plus any other financial aid received is capped at 50% of the cost of production (the " <u>Cap</u> ").	<b>EUR 10 Million per production (EUR 18 Million in the Canary Islands? Legal enactment pending),</b> the same Cap applies.

**B. Tax credits for Spanish productions:**

<sup>1</sup> The Spanish Line Service producer can claim the refund of the tax rebate upon the filing of its Corporate Income Tax return in July of the following year after the shooting.

	Previous regulation	Changes introduced by Royal Decree-law no. 17/2020
Scope	<ul style="list-style-type: none"> <li>Feature-length films; or</li> <li>Audiovisual fiction, animation or documentary series.</li> </ul>	<ul style="list-style-type: none"> <li>Feature-length films;</li> <li><b>Short films</b>; or</li> <li>Audiovisual fiction, animation or documentary series.</li> </ul>
Tax credit rates	<ul style="list-style-type: none"> <li>25% (45% in the Canary Islands) for the first EUR 1 Million; and</li> <li>20% (40% in the Canary Islands) for the excess.</li> </ul>	<ul style="list-style-type: none"> <li><b>30% (50% in the Canary Islands)</b> for the first EUR 1 Million; and</li> <li><b>25% (45% in the Canary Islands)</b> for the excess.</li> </ul>
Maximum tax credit	EUR 3 Million (EUR 5,4 Million in the Canary Islands).	<b>EUR 10 Million per production (EUR 18 Million in the Canary Islands? Legal enactment pending)</b> , the same Cap applies.
Other caps	<p>At least 50% of the deduction base must correspond to money spent within Spanish territory.</p> <p>Likewise, the Tax credit amount plus any other financial aid received is capped at 50% of the cost of production (the "<u>Caps</u>") or increased in the following circumstances:</p> <ul style="list-style-type: none"> <li>60% for cross-border productions funded by more than one EU member state with participation of producers from more than one Member State;</li> <li>70% for productions directed by a new filmmaker with a budget of EUR 1 Million or lower.</li> </ul>	<p>The same Caps apply, however the 50% cap is increased as follows:</p> <ul style="list-style-type: none"> <li><b>85% for short films</b>;</li> <li><b>80% for:</b> (i) productions directed by a person who has never directed or co-directed more than 2 feature-length films with a production budget that may not exceed EUR 1.5 Million; (ii) productions entirely shot and later projected in any of the co-official languages other than Spanish; and (iii) productions directed exclusively by disabled persons.</li> <li><b>75% for:</b> (i) productions made exclusively by women directors; (ii) productions with a special cultural and artistic value that need exceptional financial support; (iii) documentaries; and (iv) animation series with a budget that may not exceed of EUR 2.5 Million.</li> <li><b>60% for:</b> (i) cross-border productions funded by more than one EU member state with</li> </ul>

		participation of producers from more than one Member State – this point has not changed–; and <b>(ii)</b> international co-productions with LATAM countries.
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These changes are more than welcomed as they should strengthen a vast part of the Spanish entertainment industry and will likely attract the shooting of more foreign films and TV series into Spain.

We regret, however, that these amendments have not been subject to a consultation period in which the whole industry could have contributed in order to eliminate some uncertainties in the application of these tax incentives. A thorough and careful analysis of the tax structuring of any production will still be necessary.



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