

**ICADE and Roca Junyent dissect the recent tax reforms**

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**Press notes**

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Entrusted with the task of presenting the latest developments of the reform process were Begoña García-Rozado, Deputy Director General for Corporate Income Tax, Antonio Montero, Deputy Director General for Taxation, and Manuel de Miguel, Deputy Director General for Personal Income Tax.

ICADE and Roca Junyent have staged a conference this morning on the university's campus at calle Alberto Aguilera, 23, Madrid, to discuss the recent tax reform process. The main purpose of the event was to address the most significant changes ushered in by the reform and offer constructive criticism.

The event adopted a talk followed by counter-talk format and Íñigo Navarro, Dean of the ICADE Law Department, opened the session before handing over to Begoña García-Rozado, the Spanish Deputy Director General for Corporate Income Tax, who went over the main reforms affecting the tax, arguing that the tax 'was in need of a major overhaul, seeing as though it was governed by an Act that had undergone more than twenty years of successive partial reforms'. Juan Alberto Urrengoechea, partner at the tax department of Roca Junyent's Madrid office, then used his counter-talk to highlight those areas of the reform process that genuinely marked a step forward, while stressing those aspects that could be see further improvement, 'such as the drop in tax rates, the tax penalty for borrowing and the failure to integrate corporate income tax with personal income tax'. Urrengoechea also affirmed that 'start-ups are going to feel the brunt of it, since newly-created companies have little to no turnover, meaning the new limit imposed on the expenses from gifts and entertainment for clients that can be tax deducted will hit them particularly hard'.

Following on, Antonio Montero, Deputy Director General for Taxation, confirmed that the section on the General Tax Act in Spain ( Ley General Tributaria ) accounts for the bulk of the reform package in terms of legal content, in that it has had to undergo the scrutiny of the Spanish Data Protection Agency and the General Council of the Judiciary and will soon be put before the Council of State. During his talk, Montero affirmed that the reform seeks to 'generate greater legal certainty' by standardising administrative criteria, pointing out also that the built-in anti-abuse measures 'are becoming a mainstay in the fight against tax fraud'. In his counter, Antonio Palou, professor at the

Economic and Social Law Department of ICADE, highlighted those critical aspects which he believed centred on the concept of fraud : 'Preventing fraud should be an ethical concern of every society. Yet the problem concerns the how, rather than the what, and extending periods for tax inspection proceedings breaches the principle that fraud must be tackled effectively and efficiently. Palou also had words for the list of bad payers, questioning whether it is really intended for educational ends and for civic awareness, since in his judgment 'significant harm is caused to the right to privacy, as not every bad payer is a fraudster'.

Lastly, and in relation to the reforms to corporate income tax, Manuel de Miguel, Deputy Director General for Personal Income Tax, confirmed that the latest tax reform comes at a net tax cost of €5.981 billion, spread between 2015 (€3.31 bn) and 2016 (€2.671 bn). He went on to affirm that 'employees and the self-employed are the two main beneficiaries of the reform, enjoying truly generous percentages for tax savings' . de Miguel also addressed the new measures intended to encourage saving and the new negative taxes for those employees and self-employed workers responsible for large families or with ascendants/descendants in their care, who will now receive aid of up to €1,200/year. In his counter-speech, Isidro del Saz, senior partner at Roca Junyent's Madrid office, discussed the need to unify taxation to prevent people changing their residence for tax purposes (exit tax), contending that this would be more useful and advantageous than imposing restrictions.

Joan Roca, Deputy Chairman of Roca Junyent, closed out the event, concluding that in an increasingly homogeneous and global world 'we should ensure that our tax policy defines the type of economy we want to champion for our country' and that this should unquestionably be ' a productive economy that allows for job creation while attracting investment' , asking whether the tax reform really contributes towards these objectives.

#### About Roca Junyent

Roca Junyent is one of Spain's leading law firms. It employs over 230 professionals and operates both in Spain and abroad through its offices in Barcelona, Madrid, Palma de Mallorca, Lleida, Girona and Shanghai and through partnerships with top-tier law firms outside Spain. The firm and several of its fee earners have been singled out by the most prestigious legal publications, including Chambers, Legal 500 and Best Lawyer International.

Roca Junyent's Madrid office (calle José Abascal 56) was opened in September 1996, and is one of the company's key strategic assets, it being noteworthy that 90% of the firm's latest arrivals have been hired to work in the Spanish capital, where the firm's headcount already stands at sixty.