DOWER
LAW FIRM

On 29 June 2024, Law 31/2024 came into force, approving tax measures to boost the capital market.
The following changes should be highlighted:

I.R.S.

There was already an exclusion from taxation of gains resulting from the transfer for consideration of real estate intended for the taxpayer's own permanent residence or that of his family when the realised value was reinvested in financial products (life insurance contract, individual membership of an open pension fund and contribution to the public capitalisation scheme).

This law extended the exclusion to reinvestment in a **pan-European individual savings product (PEPP)**.

The balance resulting from capital gains and losses relating to the transfer for consideration of securities admitted to trading or parts of open-ended collective investment undertakings, in contractual or corporate form, will be **excluded from taxation**:

- **10% of the income if the asset has been held for more than 2 years and less than 5 years.**
- **20% of the income if the asset has been held for 5 years or more and less than 8 years.**
- **30 % of income if the asset has been held for 8 years or more.**

(except for securities relating to micro and small companies not listed on the regulated or unregulated stock exchange markets, in which case 50 % of their value was already provided for)

I.S.

- **Not subject** to stamp duty the free transfer of amounts invested in retirement savings funds, education savings funds, education retirement savings funds, equity savings funds, pension funds, retirement savings plans or individual pan-European retirement products.

Incentives for collective investment organisations to support rentals

- The income of participants or shareholders in collective investment organisations (CIUs) that invest in affordable rental properties will now benefit from a partial exclusion from personal income tax (IRS) or corporate income tax (IRC).

Requirements:

- the CIU is set up by 31 December 2025;
- the ICO's assets are made up of at least 5 per cent of ownership rights or equivalent on properties intended for and subject to affordable housing rental or sub-letting contracts, under the terms of the specific applicable legislation.

The percentage of income excluded from IRS or IRC taxation will be between 2,5 % and 10 %, depending on the percentage of the ICO's eligible assets over its total assets.

Encouraging trading on a regulated market for micro, small or medium-sized companies, or small-medium or medium capitalisation companies

- Expenses incurred by IRC taxpayers relating to the first admission to trading on a regulated market of securities representing their share capital, as well as those relating to the offer of securities to the public carried out in the same tax period or in the tax period prior to such admission to trading, which results in a minimum dispersion of 20% of their share capital, are increased by 100% for the purposes of determining taxable profit.

- Expenses relating to the second admission to trading on the open market, without minimum capital dispersion, are increased by 50 %.

Tax incentives applicable to credit and SIMFE AIOs

By amending various articles of the Tax Benefits Statute, credit alternative investment organisations (credit AIOs), as well as securities investment companies for the promotion of the economy (SIMFEs), will now benefit from the tax benefits already provided for venture capital alternative investment organisations (venture capital AIOs). This scheme provides for **exemptions and reductions in IRS and IRC**.

Anti-abuse provisions have been introduced in the regime applicable to income paid by CIUs to their participants, in cases where the counterparty to the transaction is subject to a privileged tax regime.

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