Press release

The Ministry of Finance reaches an agreement after intense negotiations

Spain and the USA sign a new agreement to avoid double taxation between the two countries

- The document will encourage American companies to invest in Spain, and Spanish firms in the US
- The present agreement, now 22 years old, needed updating to adapt to the new tax regulations and those governing the exchange of fiscal information

4 June 2012. The State Secretary for Finance, Miguel Ferre, today announced a new agreement had been reached to avoid double taxation between Spain and the USA. The announcement was made this morning during the opening of a seminar on taxation relating to investment between both countries, organised by the Spanish Employers' Association (CEOE) at its headquarters, with the collaboration of the Economics Team.

Ferre described how, after two years of intense negotiation, the new protocol between Spain and the USA was signed on 25 May, modifying the previous agreement to avoid double taxation and prevent income tax evasion, which dates from February 1990.

“We should emphasise the enormous importance of this document for both countries, as we are all aware of the strong investment connections between the two countries,” he remarked at the inauguration of the seminar.

The new protocol means updating certain articles of the agreement to adapt it to the current economic and trade relations between Spain and the USA, and to various changes in the OECD Convention Model for avoiding double taxation.

The protocol, modifying up to fourteen articles, will favour Spanish investment in the USA, and American investment in Spain. Ferre continued, “I am sure that the signing of this new agreement will constitute serious backing for American investment in Spain, and for our companies to expand their business to the USA with confidence.”

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With this agreement, Spain takes another step in its commitment to renegotiate all the agreements which need to be adapted to new conditions and closer economic relationships with certain countries. The intention is to avoid discrimination between investments made overseas and those made inside a country. This goal of “fiscal neutrality”, according to Ferre, is key to avoiding tax distortions which are an obstacle to growth and the internationalisation of companies.

Ferre also pointed out how these treaties help to create a “framework of legal certainty” which foreign investors can rely on, after “the rules of the game are clearly defined.” This question is fundamental when dealing with investments worth millions of euros.

FATCA

Meanwhile, the Secretary of State also emphasised the FATCA project, soon to come into force, with the participation of Spain and other major powers, including the USA, Germany, France, the UK and Italy. This project will enable the ownership of the financial assets in the banks and financial entities in these countries, which it was hitherto possible to conceal, to be made known. This will be a definitive step towards enabling the tax authority to liquidate these assets.

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“Spain is now in ongoing dialogue with the USA to analyse how to integrate the spirit of the FATCA project into our internal regulations, with full respect for the EU regulatory framework,” Ferre added. In his opinion, this project “indicates the USA's interest in exchanging tax information, constituting a powerful stimulus for developing this sphere of international transparency.”

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As well as the FATCA project, Ferre underlined how within the EU, efforts are being made to boost the application of the savings directive by a proposed modification enabling more information to be shared among the member states of the EU. All initiatives of this kind have the common goal of greater transparency, reducing tax evasion, and encouraging international trade and investment.