



Resolution of the Directorate General for Taxation

## Ministry of Finance clarifies the limits for deductible financial expenses

- It sets interpretative criteria to provide businesses with the method for calculating the instalments to be paid in October
- It contains specifications for credit institutions and concession companies

**19 July 2012.** The Ministry of Finance and Public Administrations has published an interpretative resolution from the General Directorate for Taxation relating to the deductible expenses limit for corporate income tax. This limit was already set in Decree-Law 12/2012 on 30 May this year and extended in Decree 20/2012 of 13 July.

As already announced, it primarily sets a general limit of 30% for deductible business expenses, applicable both to individual entities and to those that form part of a corporate group.

Given the immediate application of these rules with regard to calculating the instalments to be paid by businesses in October, the aforementioned resolution published in the Official State Gazette (BOE) on 17 July, now sets the interpretative criteria and gives a number of practical examples in order to clarify the rules and provide legal certainty. It therefore provides criteria to be applied to the limit on expenses for tax consolidation groups, which will not affect any expenses generated between entities that form part of the same group.



It also provides a reminder that this limit does not apply to credit institutions and insurance companies. If these entities form part of a tax consolidation group, the other entities that form part of that group will not be affected with regard to borrowing from credit institutions within the same group, as occurs with the majority of subsidiary real estate companies of credit institutions.

On the other hand, concessions companies that record the concessions as financial assets will reduce their financial expenses by the financial income for the year, even when this constitutes their ordinary income, as long as these transactions are of a definite financial nature.

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