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## Tax deduction enhancement in Spain

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### **I.01 Spain, excluding Canary Islands, Navarra and the Basque Country**

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#### **Tax deduction for foreign film productions**

For tax periods beginning on or after January 1, 2020, the tax deduction for expenses incurred in production of foreign feature-length films and audiovisual works has been enhanced as follows:

- From 20% to 30% for the first EUR 1 million of the tax credit base and 25% above that figure (previously, a 20% flat-rate applied).
- The minimum amount of expenditure is reduced to EUR 200,000 for pre-production and post-production costs for animation and visual effects made in Spain (the minimum expenditure amount in Spain remains as EUR 1 million in other cases).
- This deduction is capped at EUR 10 million. This measure allows the maximization of the tax credit use in the production of foreign films with a budget of approximately EUR 40 million (previously, EUR 15 million).

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#### **Tax deduction for investments in Spanish short films, feature-length films and series production**

For tax periods beginning on or after January 1, 2020, the tax deduction for investments in some Spanish audiovisual works (productions of feature-length films, short films and audiovisual fiction, animation or documentary series) has been enhanced as follows:

- Increased deduction percentages: for up to the first EUR 1 million of the tax credit base, the applicable rate is 30%, and 25% above that figure (previously, 25% and 20%, respectively).
- This deduction is capped at EUR 10 million. This measure allows the maximization of the tax credit use in the production of foreign films with a budget of approximately EUR 40 million (previously, EUR 15 million).
- General aid intensity level for Spanish production of audiovisual works will not exceed 50% of the eligible costs (no change from the previous legislation). However, it is increased for several cases:



- i. Short films: 85%
  - ii. Productions whose director has not directed or co-directed more than two films for commercial exploitation in movie theaters, and whose production budget does not exceed EUR 1.5 million: 80%
  - iii. Productions entirely shot, shown or subtitled in any of the co-official languages other than Spanish: 80%
  - iv. Productions directed exclusively by people with disabilities: 80%
  - v. Productions directed exclusively by women: 75%
  - vi. Productions of special cultural value that require exceptional financial support according to criteria established by Ministerial Order or in the corresponding calls for grants: 75%
  - vii. Documentaries: 75%
  - viii. Animation works not exceeding a production cost of EUR 2.5 million: 75%
  - ix. Crossborder productions financed by more than one Member State of the European Union and involving producers from more than one Member State (same the previous legislation): 60%
  - x. International co-productions with LATAM countries: 60%
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## I.02 Canary Islands

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### Tax deduction for foreign film productions

For tax periods beginning on or after January 1, 2020, the tax deduction for expenses incurred in production of foreign feature-length films and audiovisual works has been enhanced as follows:

- > From 40% to 54% for the first EUR 1 million of the tax credit base and 45% above that figure (previously, a 40% flat-rate applied).
- > This deduction is capped at EUR 5.4 million. However, it is reasonable to expect that the maximum amount of deduction will likely be increased to EUR 18 million in the short term.
- > EU rules regarding subsidy intensity levels apply: in general, intensity level allowed at 50% of the production budget. Individual analysis of the specific conditions, costs and location is required to avoid or minimize the impact of such subsidy intensity limitation.

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### Tax deduction for investments in Canarian short films, feature-length films and series production

- > Increased deduction percentages: for up to the first EUR 1 million of the tax credit base, the applicable rate is 54%, and 45% above that figure (previously, 45% and 40%, respectively).



- > This deduction is capped at EUR 5.4 million. However, it is reasonable to expect that the maximum amount of deduction will likely be increased to EUR 18 million in the short term.
  - > General aid intensity level for Canarian production of audiovisual works will not exceed 50% of the eligible costs (no change from the previous legislation). However, it is increased for several cases:
    - i. Short films: 85%
    - ii. Productions whose director has not directed or co-directed more than two films for commercial exploitation in movie theaters, and whose production budget does not exceed EUR 1.5 million: 80%
    - iii. Productions entirely shot, shown or subtitled in any of the co-official languages other than Spanish: 80%
    - iv. Productions directed exclusively by people with disabilities: 80%
    - v. Productions directed exclusively by women: 75%
    - vi. Productions of special cultural value that require exceptional financial support according to criteria established by Ministerial Order or in the corresponding calls for grants: 75%
    - vii. Documentaries: 75%
    - viii. Animation works not exceeding a production cost of EUR 2.5 million: 75%
    - ix. Crossborder productions financed by more than one Member State of the European Union and involving producers from more than one Member State (same the previous legislation): 60%
    - x. International co-productions with LATAM countries: 60%
  - > EU rules regarding subsidy intensity levels apply: in general, intensity level allowed at 50% of the production budget. Individual analysis of the specific conditions, costs and location is required to avoid or minimize the impact of such subsidy intensity limitation.
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## Contact



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**Ismael González**  
**Partner (Tax)**

[ismael.gonzalez@cuatrecasas.com](mailto:ismael.gonzalez@cuatrecasas.com)

+34 933 129 626



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**Manuel Follía**  
**Partner (Banking & Finance)**

[manuel.follia@cuatrecasas.com](mailto:manuel.follia@cuatrecasas.com)

T +34 932 905 425



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**Jorge Monclús**  
**Senior associate (IP)**

[jorge.monclus@cuatrecasas.com](mailto:jorge.monclus@cuatrecasas.com)

T +34 932 905 585

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