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WEALTH MANAGEMENT



PRACTICAL GUIDE · CORPORATE STRUCTURES

Practical guide to holding companies and asset-holding companies

Concept, tax regime, incorporation through share exchange and differences from the asset-holding entity.

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CORPORATE STRUCTURES

Holding and asset-holding companies

A holding company is an entity whose main asset consists of shareholdings in other companies. Placed at the head of a group, it allows management to be centralised, the subsidiaries' profits to be reinvested at a reduced tax cost and the succession of the family business to be organised.

An asset-holding company, by contrast, merely holds securities or property without carrying on an economic activity. The Corporate Income Tax Law assigns it a specific, less favourable regime, so the distinction between the two is decisive.

AT A GLANCE

95%	Exemption for dividends and capital gains from subsidiaries (Article 21 LIS).
1.25%	Effective taxation of that income at the general 25% rate.
5% · 1 year	Minimum stake and holding period to apply the exemption.
Deferral	Of the shareholder's gain when setting up the holding company under the special regime.

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01 · CONCEPT

Holding company and asset-holding entity

Holding company

A holding company may be **pure**, if it merely holds shares, or **mixed** or active, if it also directs and manages the subsidiaries with its own material and human resources. Its corporate purpose must expressly include the holding and management of shareholdings.

Asset-holding entity

Article 5.2 of Law 27/2014 on Corporate Income Tax (LIS) defines an asset-holding entity as one in which **more than half of its assets** are not used in an economic activity or consist of securities, based on the average of the quarterly balance sheets for the year.

Stakes of at least **5%** held for one year for the purpose of directing and managing the investment do not count as securities, provided the corresponding organisation of resources is in place. A parent holding company with operating subsidiaries is therefore not an asset-holding entity.

Letting of property

The letting of property constitutes an economic activity when at least **one employee under a full-time employment contract** is used to manage it (Article 5.1 LIS). Otherwise, a company that merely owns let properties will normally be treated as an asset-holding entity.

02 · ADVANTAGES

Tax regime of the holding company

Exemption for dividends and capital gains

Dividends received from subsidiaries and income from their disposal are **95%** exempt where the stake is at least **5%** and has been held without interruption for **one year** (Article 21 LIS). The remaining 5% is included in the tax base as management expenses, giving effective taxation of **1.25%** at the general rate.

If the same income were received directly by an individual, it would be taxed in the savings base of personal income tax at rates of between 19% and 30%. The holding company therefore makes it possible to reinvest profits at a reduced tax cost. Personal taxation is deferred until the holding company distributes dividends to its shareholders.

Other advantages

- **Ring-fencing of risks:** each company is liable only for its own obligations.
- **Centralised management:** direction, financing and shared services from the head of the group.
- **Entry and exit of shareholders:** the disposal of subsidiaries by the holding company may benefit from the 95% exemption.
- **Tax consolidation:** with a stake of at least **75%**, the group may be taxed as a single taxpayer and offset tax losses of some companies against profits of others (Articles 55 to 75 LIS).
- **Succession:** the heirs receive shares in a single company, which facilitates the governance of the family group.

Family business

If the holding company and its subsidiaries meet the family business requirements, the shares are **exempt from Wealth Tax** (Article 4.Eight of Law 19/1991) and benefit from a **95% relief** in Inheritance and Gift Tax (Articles 20.2.c and 20.6 of Law 29/1987), which several autonomous communities raise to **99%**, including the Community of Madrid and Andalusia. Main requirements:

- The entity carries on an economic activity and is not an asset-holding entity.
- Minimum stake of **5%** individually or **20%** jointly with the family group.
- A member of the family group effectively performs **management functions** and receives for them more than **50%** of their employment and business income.

03 · INCORPORATION

Incorporation through share exchange

The contribution of the shares in the operating companies to the holding company is a transfer. Without a specific regime, the shareholder would be taxed under personal income tax on the unrealised gain without having obtained any cash.

Special regime

Chapter VII of Title VII of the LIS (Articles 76 to 89) regulates the **special regime for mergers, divisions, asset contributions and share exchanges**, whose effects are:

- **Personal and Corporate Income Tax:** the income arising from the contribution is not included. The shares received retain the tax value and acquisition date of those contributed.
- **Corporate transactions:** exemption from Property Transfer Tax and Stamp Duty.
- **Municipal capital gains tax:** not payable, since the subsidiaries' properties do not change ownership.

Requirements

- The holding company acquires the **majority of the voting rights** in each company contributed, or increases an existing majority.
- The shareholders receive shares in the holding company and, where applicable, a cash payment not exceeding **10%** of their nominal value.
- The transaction has a **valid business reason** and its main purpose is not tax fraud or evasion (Article 89.2 LIS). This is the aspect most frequently reviewed by the tax authorities.
- **Notification** of the transaction to the Tax Agency within three months of registration of the deed.

Stages

1. **Preliminary stage:** analysis of the shareholding and of business and family objectives, valuation of the companies and design of the structure.
2. **Execution stage:** incorporation of the holding company or capital increase, deed of contribution, registration and notification to the tax authorities.
3. **Maintenance stage:** group governance, dividend policy, family protocol and periodic verification of the requirements.

04 · CORPORATE INCOME TAX

Tax rates and risks

Tax rates

Law 7/2024 introduced a gradual reduction of the rates applicable to micro-enterprises and small companies. Asset-holding entities are excluded.

Entity	2025	2026	2027	2028
General	25%	25%	25%	25%
Micro-enterprise (turnover < €1M): first €50,000	21%	19%	17%	17%
Micro-enterprise: remainder of the base	22%	21%	20%	20%
Small company (turnover < €10M)	24%	23%	22%	21%
Asset-holding entity	25%	25%	25%	25%

Consequences of being an asset-holding entity

- Taxation at **25%** without access to the reduced rates or the incentives for small companies.
- On the disposal of its shares, the Article 21 exemption is limited to the part of the income corresponding to undistributed profits generated during the holding period (Article 21.5 LIS).
- Loss of the Wealth Tax exemption and of the family business relief in Inheritance and Gift Tax.
- Income from residential letting cannot apply the reductions of Article 23 of the IRPF Law.

Accumulation of cash

When the holding company accumulates cash or financial investments not arising from its activity, it may exceed the 50% limit on non-business assets and become an asset-holding entity. The composition of assets should be checked every year.

FAQ

Frequently asked questions

What does it cost to set up a holding company?	If the special regime applies, the contribution is not taxed. Notary, registration, valuation and advisory costs remain.
Can the business be contributed to a holding company immediately before its sale?	This is a risk scenario. If the sole purpose is to avoid personal income tax on the sale, the tax authorities may deny the special regime for lack of a valid business reason. In addition, the Article 21 exemption requires a one-year holding period.
Does the holding company reduce taxation of the income received by the shareholder?	No. Its effect is deferral: profits reinvested in the holding company bear a reduced cost, but income distributed to the shareholders is taxed under their personal income tax.
Is a holding company necessary to invest the company's cash?	It is not essential, but separating the operating activity from financial investment limits risks and makes it easier to meet the family business requirements.
Does the reorganisation affect the subsidiaries' financing?	Financing agreements may require lenders' consent for changes in shareholding. They should be reviewed at the preliminary stage.

REFERENCES

Legislation and case law

Provisions and rulings cited in this guide. The wording in force should be verified in each case in the Spanish Official State Gazette (BOE), the regional gazettes and the electronic office of the Spanish Tax Agency.

Legislation

- Law 27/2014 on Corporate Income Tax: Articles 5 (economic activity and asset-holding entity), 21 (exemption), 29 and Forty-fourth Transitional Provision (tax rates), 55 to 75 (tax consolidation) and 76 to 89 (special regime for restructurings).
- Law 11/2020 on the General State Budget for 2021, limiting the exemption to 95%.
- Law 7/2024 of 20 December, reducing the rates for micro-enterprises and small companies.
- Law 19/1991 on Wealth Tax, Article 4.Eight, and Royal Decree 1704/1999.
- Law 29/1987 on Inheritance and Gift Tax, Articles 20.2.c) and 20.6.
- Law 35/2006 on Personal Income Tax, Article 23.

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