

MURODEL
WEALTH MANAGEMENT

PRACTICAL GUIDE · TAXATION · REGIONAL PERSONAL INCOME TAX

Practical guide to the Mbappé Law

20% regional tax credit for investments made by taxpayers who move their tax residence from abroad to the Community of Madrid.

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TAXATION · REGIONAL PERSONAL INCOME TAX

The investment tax credit for new residents

Law 4/2024 of the Community of Madrid introduced, with effect from 1 January 2024, a credit against the regional portion of personal income tax (IRPF) for taxpayers who move their tax residence from abroad to the Community of Madrid and invest in certain financial assets. It is known as the **Mbappé Law**.

The taxpayer is taxed as an ordinary resident on worldwide income and may deduct 20% of the amount invested from the gross regional tax liability. As a regional credit, it is available only to residents of the Community of Madrid.

AT A GLANCE

20%	Credit on the acquisition value of the investment, with no cap.
5 years	No Spanish tax residence prior to the move.
6 years	Holding period for residence in Madrid and for the investment.
40%	Maximum stake of the taxpayer and family in the investee entity.

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01 · SCOPE

Requirements and eligible investments

Governed by Legislative Decree 1/2010, Consolidated Text of the legal provisions of the Community of Madrid on taxes ceded by the State, as amended by Law 4/2024.

Taxpayers

- Individuals who **have not been tax resident in Spain** during the five years prior to the move, regardless of nationality.
- Who acquire tax residence in the **Community of Madrid** from 1 January 2024.
- Who **maintain that residence for six years**.

The credit is not available to taxpayers moving from another Spanish autonomous community.

Eligible investments

- Public or private **debt** (bonds, debentures, bills and promissory notes), listed or unlisted.
- **Shares and equity interests** in the capital or equity of any type of entity, listed or unlisted.

Requirements for equity interests: the entity may not be domiciled in a non-cooperative jurisdiction; the stake held by the taxpayer and relatives up to the second degree may not exceed **40%** of the capital or voting rights; and the investor may not perform executive functions or have an employment relationship with the entity. **The investment does not need to be made in Madrid or in Spain.**

Whether the credit applies to units in collective investment schemes is a matter of interpretation that must be confirmed in each case.

Timing of the investment

In the tax year in which residence in the Community of Madrid is acquired or in the following year. Investments in securities of Spanish entities may also be made in the year before the move, provided they are held until that time.

02 · CALCULATION

Amount, application and holding period

Amount

The credit equals **20% of the acquisition value**, including the costs and taxes inherent to the acquisition and excluding interest, **with no cap**.

It is applied against the **gross regional tax liability** for IRPF, after all other regional credits. Any amount not used due to insufficient liability may be carried forward to the **following five tax years**.

Example

A taxpayer moves to Madrid in 2026 and invests €1,000,000 in eligible assets, generating a credit of **€200,000**. With a general taxable base of €250,000 and a savings base of €100,000 per year, the gross regional tax liability amounts to approximately **€58,090**.

Tax year	Credit applied	Outstanding
2026	€58,090	€141,910
2027	€58,090	€83,820
2028	€58,090	€25,730
2029	€25,730	€0

Any amount that cannot be applied within the five-year period is lost, so the investment should be sized according to the expected regional tax liability.

Holding period

The investment and the residence must be maintained for **six years**. The assets may be sold provided that **the full proceeds are reinvested** in other eligible assets within one month. Non-compliance results in loss of the credit and its repayment with late-payment interest.

Incompatibilities

It is incompatible with the special regime for workers posted to Spain under Article 93 of the IRPF Law and, for the same investment, with the regional credits for investment in newly or recently created entities and in entities listed on the BME Growth segment.

FAQ

Frequently asked questions

Can Spanish nationals apply it?	Yes, provided they have not been tax resident in Spain in the five years prior to the move.
Does the credit apply to the purchase of real estate?	No. Eligible investments are debt and shares or equity interests in entities that meet the statutory requirements.
What happens if the assets are sold before six years?	If the full proceeds are reinvested in other eligible assets within one month, the credit is maintained. Otherwise, it is lost and must be repaid with late-payment interest.
Does it apply in other autonomous communities?	No. It is a credit specific to the Community of Madrid.

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

- Legislative Decree 1/2010, of 21 October, Consolidated Text of the legal provisions of the Community of Madrid on taxes ceded by the State.
- Law 4/2024 of the Community of Madrid, introducing the tax credit for investments by new taxpayers from abroad.
- Law 35/2006 on Personal Income Tax (IRPF), Articles 46, 74 and 76.

MURODEL

WEALTH MANAGEMENT

Wealth management firm based in Madrid. We bring together investment, financing and taxation for business owners, investors and families.

OFFICE · BY APPOINTMENT

Paseo de la Castellana 7, 1st floor
28046 Madrid

CONTACT

info@murodel.com
+34 627 788 744

WEB

murodel.com
Book an online meeting

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