

U.K.'S PRE-BREXIT BUDGET AIMS  
TO BRING CALM AMID  
TURBULENCE

ISRAEL-U.S. TAX TREATY REVAMP  
MAY MEAN LOWER  
WITHHOLDING RATES



Spain's draft rules to tax digital companies and digital currency gains will apply to high-net-worth individuals and U.S. tech giants.  
Photo by S3studio/Getty Images

## News

# Spain Floats Digital Tax Amid Broader EU Debate

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- Proposals face complicated parliamentary process
- Fits into global focus on taxation of digital companies



Spain could be at the forefront of taxing digital companies like Alphabet Inc.'s Google starting next year, if its minority government gets its way.

A 3 percent digital services tax, aimed at major digital companies, is among a raft of tax measures proposed in draft bills released Oct. 23. The measures are aimed at high-net-worth individuals and major companies, and reflect Spain's increasing focus on cryptocurrency and taxation of digital giants.

The digital tax [proposal](#) is the latest example of a country taking unilateral action, as debate continues in the European Union over a similar levy. EU presidency holder Austria is pushing for unanimous agreement this year, though the proposal is contentious since the companies in scope are mostly American tech corporations.

Spain's measure would apply to companies that have more than 750 million euros (\$854 million) in global annual turnover and which generate at least 3 million euros in annual turnover in Spain.

"Remember that this tax was proposed by the European Union, and Spain is going to be the first country to put it into action," Minister of the Treasury María Jesús Montero said Oct. 19.

### Digital Tax

While the Socialist minority government's proposed tax policies "take a shot at everyone" by focusing on multiple areas, not just big companies, Carolina del Campo, a partner at Cuatrecasas in Madrid, said many proposals mirror those "already on the table in Brussels."

The digital tax would apply to revenue generated by online advertising services, online intermediary services that connect users with entities that provide goods or services, and from the sale of user data.

The tax authority could issue fines each time an individual changes their Internet Protocol address or geographical location to avoid the tax.

Google didn't return a request for comment.

### Financial Transactions Tax

A separate [proposal](#) would apply a 0.2 percent financial transaction tax, similar to what has already been proposed by the European Commission.

The proposal is focused on "the trading of publicly traded Spanish companies with a market capitalization over one billion euros," Montero said.

The tax would be used to fund the public pensions program and wouldn't affect initial public offerings.

"I see this more as a common policy, with all markets and countries harmonized," as opposed to a tax by one country, said Rubén Cueto Vallverdú, managing partner at Vallverdú Abogados in Gijón, told Bloomberg Tax Oct. 23.

### Broader Definition of Tax Havens

Spain's current list of tax havens focuses on low-tax or no-tax jurisdictions. The government's new anti-fraud proposal would expand the list to jurisdictions that lack transparency or have no effective information exchange or international collaboration, Montero said.

Montero didn't mention jurisdictions by name, though Cueto said some "states within states" conceivably could be affected—like the state of Delaware.

Delaware "is a small tax haven within the United States and the intention of measures like this is to get states within states, or countries in this situation, to facilitate this information, though it remains to be seen if they achieve this," Cueto said.

### Cryptocurrency Scrutiny

The government will also require the identification of individuals who hold cryptocurrency tokens, as part of its fraud crackdown, Montero said. The individuals will have to inform tax authorities of all transactions and declare their crypto holdings along with any other foreign assets.

The government is focused on identifying digital currency wallets, transactions and especially users with the intent to monitor and collect taxes, Ignacio Siles, legal director for the Valencia-based cryptocurrency broker Bitnovo (Pressbrokers, SL), told Bloomberg Tax by e-mail Oct. 23.

The crackdown could choke the infant Spanish sector by discriminating against small crypto transactions and pushing customers toward platforms outside the EU where they can remain anonymous, he said.

### Hurdles Ahead

The financial transaction tax and digital tax proposals will be open for public [comment](#) until Nov. 15.

Some time after that, actual bills will go to parliament. While the Socialists have come to agreements with the leftist Unidos Podemos group on tax matters, approval would still require the support of smaller regional nationalist parties.

While the former conservative government had studied some of the proposals now at stake, Cueto said he expects serious resistance from the conservative Popular Party and liberal Citizens.

To contact the reporter on this story: Brett Allan King in Madrid at [correspondents@bloomberglaw.com](mailto:correspondents@bloomberglaw.com)

To contact the editor on this story: Penny Sukhraj at [psukhraj@bloombergtax.com](mailto:psukhraj@bloombergtax.com)