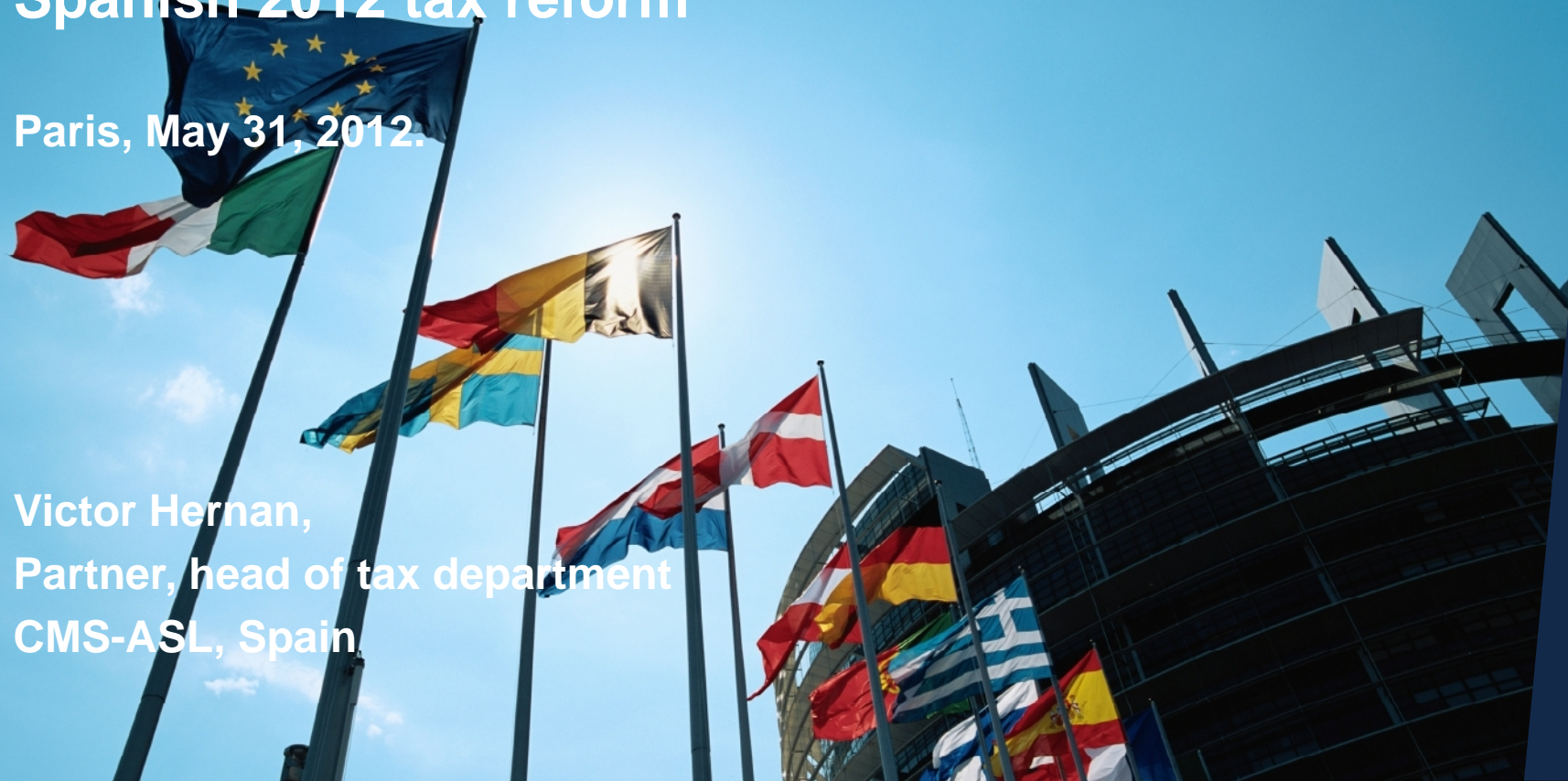


Tax reforms in Spain and in Portugal: How they will impact your company?

Significant changes in Spanish tax Spanish 2012 tax reform

Paris, May 31, 2012.

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Areas affected by tax reform of March 31, 2012 (1/2)

- During 2012 and 2013 the deduction for acquired goodwill is reduced from 5% to 1%
- During 2012 and 2013 the merger's goodwill deduction is reduced from 5% to 1%
- Reduction from 35% to 25% (of tax due) of the common limit applicable to certain tax credits (R&D, environmental investments, re-investments, etc.)
- **Payments on account of Corporate Tax: new floor of 8% of accounting profit**
- Non deductibility of intra-group interest expense for acquisition of shares intra-group (except valid business reasons)

Areas affected by tax reform of March 31, 2012 (2/2)

- **Interest barrier of 30% of EBITDA**
- Technical correction for participation exemption on transfer of foreign shares
- 8% tax levied on repatriation of certain profits not covered by participation exemptions for not meeting certain requirements
- End of freedom for amortization
- Certain reforms of special taxes (tobacco) and local taxes (real estate).
- **Tax amnesty for opaque assets**

Already applicable prior reforms (August 2011)

During 2011, 2012 and 2013

– **Limitation of use of losses**

- Losses limited to 75% of tax base for companies with a turnover between €20 mill and €60 mill
- Losses limited to 50% of tax base for companies with a turnover higher than €60 mill

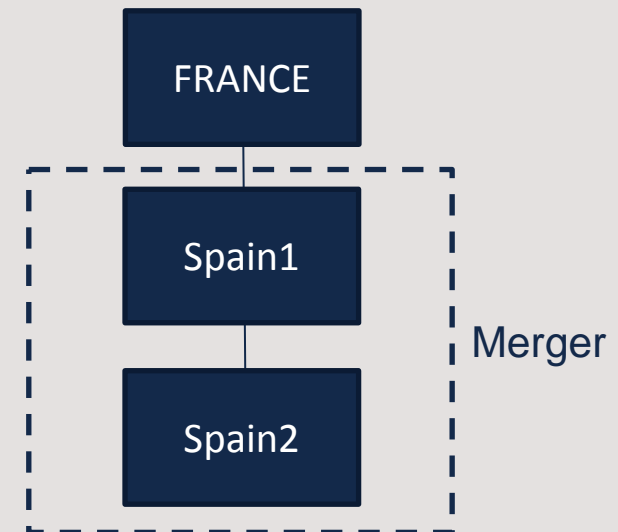
– **Increase in percentages of Payments on Account**

- From 21.4% to 24% for companies with a turnover between €20 mill and €60 mill
- From 21.4% to 27% for companies with a turnover higher than €60 mill
- shares

– **Limitation of grandfathered financial goodwill deduction from 5% to 1%**

Financial goodwill

- Decrease from 5% to 1% of the maximum annual depreciation rate of goodwill that has a tax impact, i.e. goodwill derived from the acquisition of a business or intangible assets, and, goodwill arisen on restructuring transactions (merger financial goodwill).
- The above mentioned maximum annual depreciation rate is a temporary tax measure that will only be applicable for fiscal years starting on 2012 and 2013.



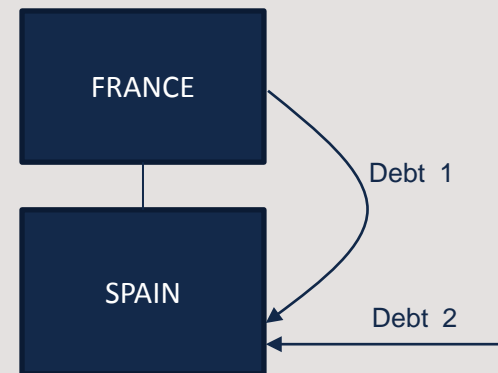
- Merger granted right to deduct goodwill
- Amortization of assets not restricted

Freedom of amortization

- Elimination of the “free depreciation” of assets tax incentive, as of 31 March, 2012 (a transitory regime applies for assets acquired before the entering into force of this law). However, this tax incentive would be maintained for SME provided the employee level is maintained by the company.
- Use of transitory regime may impact tax due in 2012.
- Check if investments made during time when regime was applicable

Interest barrier (1/2)

- Introduction of new interest deduction limitations: With retroactive effects as of January 1, 2012, the old thin capitalization rule is replaced by an earnings stripping rule. The new rule applies, essentially, as follows:
- The deduction of financial expenses is capped to 30% of the EBITDA.
- Notwithstanding the above, expenses up to EUR 1 million will be deductible in any case.



- 30% limit affects debt 1 and debt 2
- Total result may be double tax

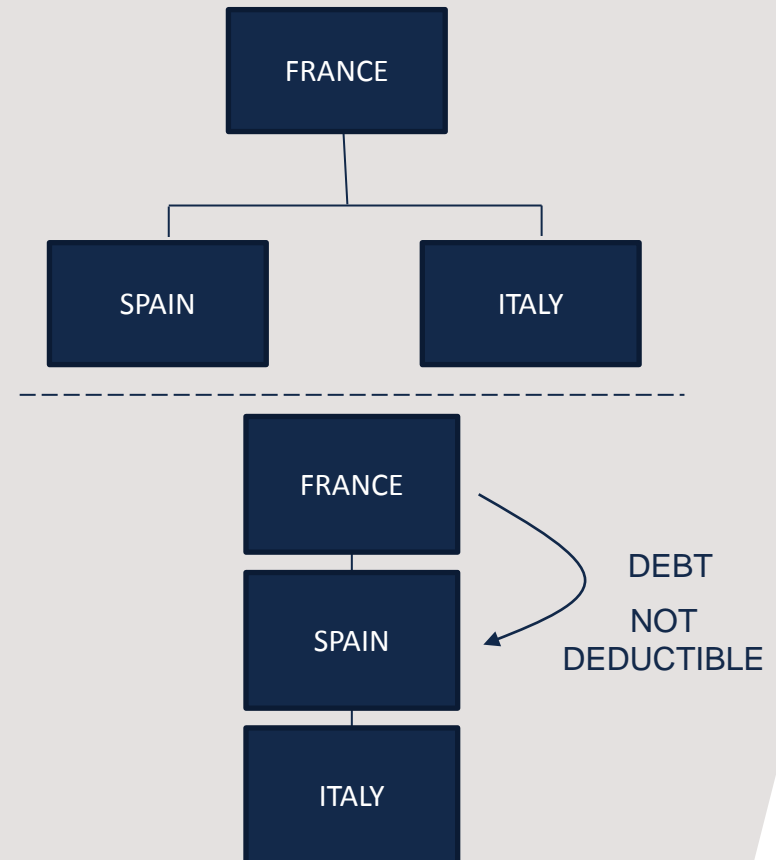
- Potential mitigation measures
 - Derivatives
 - Claim for contrary to EU law
 - Change nature of income
 - Use of 1 mill floor per taxpayer

Interest barrier (2/2)

- Interest not deducted may be carry forward up to 18 years. Moreover, if in a given FY, interest expenses do not reach 30% of EBITDA, the difference between the interest deducted and the said threshold can be carry forward, being added to the said threshold during the subsequent five years (i.e. 30% EBITDA cap may therefore be increased).

Interest expense

- As of January 1, 2012, interest expenses derived from intra-group financing to acquire shares/participations of any kind of entities will not be tax deductible unless the existence of sound business reasons behind the transaction is duly evidenced. This new anti-abuse rule also applies when the funds loaned are subsequently contributed as equity to other group companies.



Payments on account of CIT

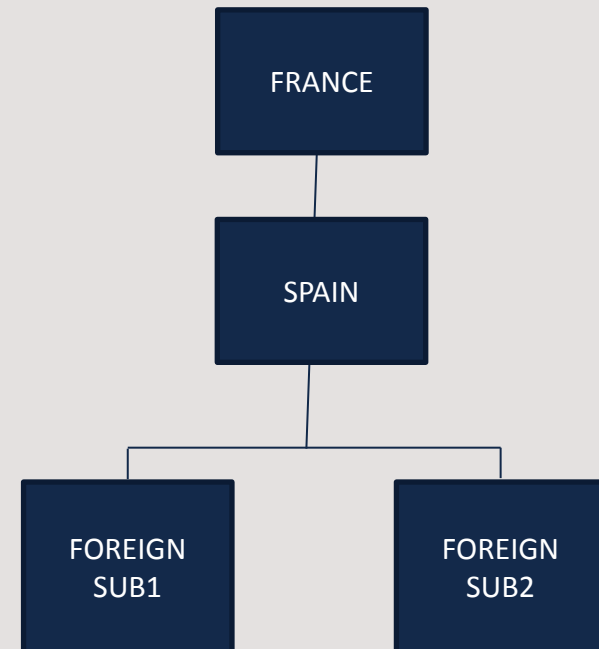
- The minimum advance CIT payments for companies with a turnover exceeding EUR 20 million is modified for FY starting on 2012 and 2013 in the following way:
 - An 8% rate on the accounting profit applies to large-sized companies (although NOLs may be factored in); or
 - A reduced 4% rate applies in case at least 85% of the total income obtained by the taxpayer derives from certain types of exempt income such as qualifying foreign source dividends
- Potential remedies based on accounting treatment: e.g. provisions, dividends, etc.

Use of tax credits

- Use of tax credits is further capped: For FY 2012 and 2013, the maximum amount of deductible tax credits that may be applied jointly is decreased from 35% to 25% (including the reinvestment tax credit).
- Moreover, and exclusively for R&D tax credits that exceed 10% of the tax due, the limit is decreased from 60% to 50%.

Participation exemption

- Requirements to apply the participation exemption (PEX) to capital gains have been softened, particularly when some of the relevant conditions are not met during each and every tax year (the old “all or nothing” rule has been replaced by a proportional rule).
- 8% reduced CIT rate for tax haven dividends or capital gains repatriated to Spain (provided certain conditions are met). This sort of “tax amnesty” will only be of application during 2012.



Technical corrections are made

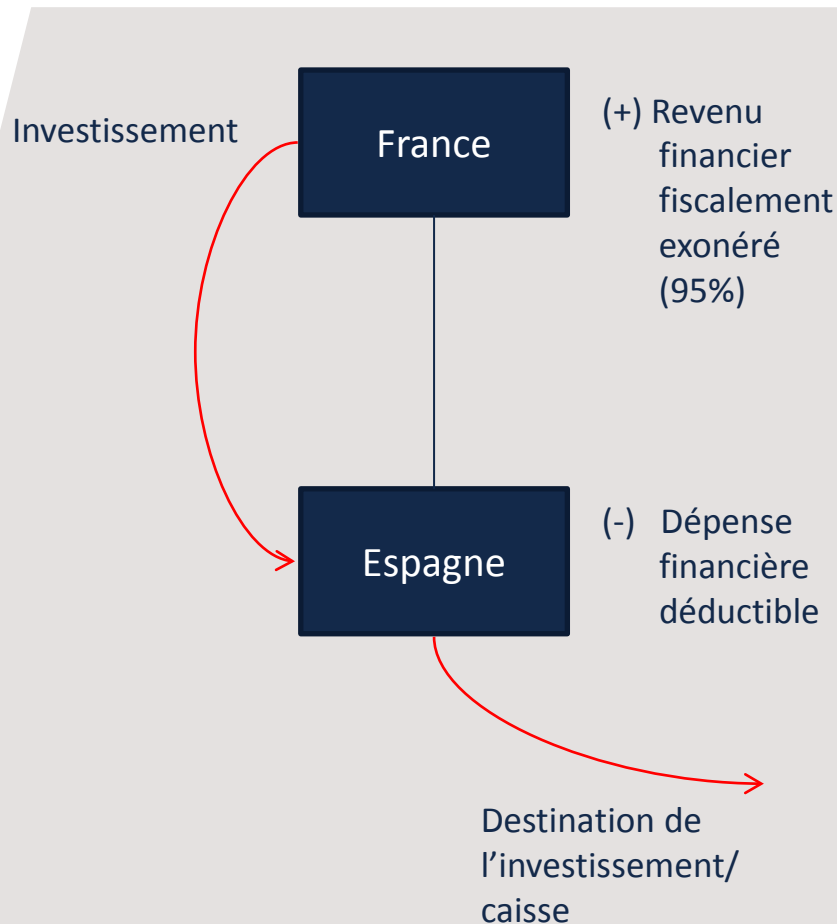
Tax amnesty

- "Tax amnesty" for undeclared income.
- A special charge 10% shall be applicable to the aflourishment of non previously declared income related to the following taxes: Personal Income Tax, Corporate Income Tax and Non Resident Income Tax.
- The objective of this new rule is to regularize the tax situation for those taxpayers that had (unduly) not declared all their income/assets before this new legislation comes into force.
- The charge of 10% shall apply to the value of the aflourished assets or rights.
- The amnesty requires filing a special return before the deadline established on the next November 30th of 2012. Where such return is filed, no penalties, interests or surcharges shall be due. The nature of this declaration is voluntary

To Do Before CIT Return in July 2012.

- Calculate impact of 30% limit and other reductions
 - Use 30% limit if not yet reached. Opportunity is available via “safe harbor”.
- Careful analysis and use of freedom of tax depreciation if investments in its applicability period.
- Calculate impact of limitation of use of tax losses for 2011, 2012 and 2013.
- Calculate impact of floor on payments on account.
 - Potential accounting decisions are very relevant. (E.g. dividends)
- Estimate impact of other measures
 - Goodwill, participation exemption, etc.

Annexe1: Proposition d'instrument d'investissement fiscalement efficient



- L'investissement d'une société mère française dans sa filiale espagnole peut être réalisé au moyen d'un instrument financier fiscalement efficient qui, en accomplissant certaines formalités exigées, pourrait permettre d'envisager un investissement dans les capitaux propres du point de vue français donnant lieu à un dividende presque totalement exonéré d'impôt dans cette juridiction
- Du point de vue espagnol, cependant, cet instrument pourrait avoir la considération/nature d'un passif financier, donnant lieu à une dépense comptable fiscalement déductible en Espagne

Annexe 1: Considérations à remarquer

Espagne

- Motifs économiques/commerciaux valables pour l'émission de l'instrument financier. Destination de l'investissement
- Limites concernant la déductibilité des dépenses financières
- Considérations/traitement comptable de cet instrument

France

- Traitement de cet instrument dans la but d'obtenir l'exonération