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A GUIDE FOR ADVISERS

Spanish Holding Company (ETVE)

Requirements, tax treaties, case studies and 24 country profiles

The Spanish regime for foreign securities holding entities: dividends in, distributions out, requirements, case studies and an annex with a profile for each of 24 countries.

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Law as at 20 November 2026

ETVE SIMULATOR

Get a first estimate with the ETVE simulator

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Who this guide is for

This guide is written for the professionals who advise entrepreneurs, families and groups with businesses in several countries: lawyers, tax advisers, accountants and family offices. It serves those who advise a Latin American family, wherever it lives (in its home country, in the United States, in Europe, in Canada or in the Gulf), and those who advise a European, British, Swiss, Canadian or Asian group that invests in Latin America or elsewhere from Spain.

It brings together the essentials of the Spanish regime for foreign securities holding entities (entidades de tenencia de valores extranjeros, ETVE): what it offers, what it requires, how to set one up and what changes depending on the country of the subsidiaries and of the shareholders. The annex contains a two-page profile for each of the 24 countries we have analysed: twelve in Latin America, the United States, Canada, Belgium, France, the Netherlands, the United Kingdom, Switzerland, the United Arab Emirates, Qatar, Saudi Arabia, Singapore and Hong Kong.

About us

Dechamps Abogados is a family-run law firm in Madrid, founded in 1982 by René Dechamps Azanza, abogado. We work in Spanish, English and French. We are an independent firm: we coordinate our work with the local advisers in each country so that the savings achieved in Spain are not lost in the shareholders' country of residence.

How to use this guide

- Parts 1 to 4 explain the regime and how it works.
- The case studies show structures with figures.
- The annex summarises, country by country, the tax treaty, the subsidiary and the shareholder.
- Each profile refers to its full version on dechampsabogados.com, with the official sources.

LEGAL NOTICE

This guide is for information purposes and reflects the law as at 20 November 2026. It does not constitute legal or tax advice. Tax treaties, lists of jurisdictions and each country's domestic rules change: before making a decision, each case must be analysed on its specific facts.

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The ETVE in 5 key points

1 **It is not a type of company.**
It is a Spanish S.L. or S.A. that elects a special tax regime (Arts 107 and 108 LIS). It pays corporate income tax and files its accounts like any Spanish company.

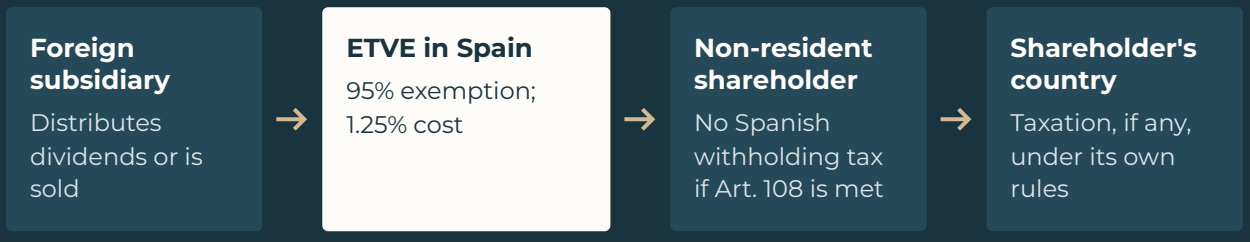
2 **On the way in: a Spanish cost of 1.25%.**
Dividends and capital gains from foreign subsidiaries that meet Art. 21 LIS are 95% exempt; at the general rate of 25%, the Spanish cost is equivalent to 1.25%.

3 **On the way out: what sets it apart.**
Distributions to non-resident shareholders out of that exempt income may fall outside Spanish non-resident income tax (IRNR) if the conditions of Art. 108 LIS are met; the article excludes shareholders in non-cooperative jurisdictions. This is what an ETVE adds compared with any other Spanish company.

4 **Substance is decisive.**
The key requirement is genuinely managing the shareholdings from Spain, with resources proportionate to the group. The €20 million alternative no longer applies.

5 **The shareholder's country decides the final outcome.**
Before setting one up, the CFC rules of each shareholder's country must be reviewed.

THE STRUCTURE IN ONE LINE



What an ETVE is and what it adds compared with an ordinary S.L.

An ETVE is an ordinary Spanish company, an S.L. or S.A., that elects the special tax regime of Articles 107 and 108 of the Spanish Corporate Income Tax Act (Ley del Impuesto sobre Sociedades, LIS). It is not a different legal form or an offshore company.

Its legal name is «entidad de tenencia de valores extranjeros» (foreign securities holding entity). Its purpose is to hold and manage shareholdings in companies not resident in Spain: for example, a family group's operating companies in Mexico, Colombia, Ecuador or Costa Rica. It may carry on other activities in addition to holding. The regime has existed since Law 43/1995: it is well established and well known to the tax authorities.

What is specific to the ETVE is the way out, not the way in

The 95% exemption on dividends and capital gains from subsidiaries (Article 21 LIS) is available to any Spanish S.L. or S.A. that meets its requirements. What only an ETVE has is Article 108 LIS.

	Ordinary Spanish company	ETVE
Dividends and gains from foreign subsidiaries that meet Art. 21	95% exempt	95% exempt
Dividend to a non-resident individual shareholder, or to a company outside the EU	General domestic rate of 19%, subject to the tax treaty or any applicable exemption (Arts 14 and 25.1.f TRLIRNR, the Non-Resident Income Tax Act)	**The distribution of exempt foreign income falls outside IRNR** where the conditions of Article 108.1.c and 4 LIS are met
Sale of the holding company by a non-resident shareholder	Taxed in Spain under the non-resident income tax law or the tax treaty	If the conditions of Art. 108 are met, **not taxed in Spain** the part that corresponds to exempt income or to gains on the foreign subsidiaries (Art. 108.2.b LIS)

If the shareholder is a company from another EU Member State holding at least 5% for one year, the dividend may already be exempt in Spain without an ETVE (Art. 14.1.h TRLIRNR, with its conditions). That is why the advantage of the ETVE shows above all with **non-resident individual shareholders, shareholders outside the EU and on the sale of the holding company**.

Who an ETVE suits, and who it does not

It makes sense for groups with subsidiaries outside Spain and shareholders resident outside Spain who want to bring their shareholdings together in a single company and can genuinely manage it from here. It makes no sense as a mere paper company, or where the shareholder's country cancels out the advantage.

It usually fits when...	It usually does not fit, or requires careful analysis, when...
✓ There are operating companies in several countries to be organised under a single company.	! Nobody is really going to run the company from Spain.
✓ The shareholders live outside Spain and outside any non-cooperative jurisdiction.	! The shareholders live in a non-cooperative jurisdiction: they lose the advantage on distributions and on a sale.
✓ A stable base is sought to bring in shareholders, sell subsidiaries or prepare the generational handover.	! The shareholder's country has CFC rules that, where their requirements are met, tax the shareholder on the ETVE's profits even if they are not distributed.
✓ There is also a wish to invest in the European Union from a European company.	! The subsidiaries are not taxed in their country at a nominal rate of at least 10% and there is no tax treaty with exchange of information.
✓ Investors from outside the region, for example from the United States, Canada, Europe or Asia, want to enter Spanish-speaking Latin America using Spain's tax treaty network (cases 2, 3, 6 and 8). Also Latin American families living abroad with businesses in their home country (cases 4 and 5 and the country profiles).	! The aim is to «centralise» operating income (services, commissions, sales): it is taxed at the general rate. The ETVE is for holding shares, not for invoicing.
✓ There is already a holding company in another country (for example, in Panama) that can be moved to Spain.	! The shareholders are resident in Spain, their main aim is to receive dividends and they will not reinvest: they will be taxed in their personal income tax (IRPF).

The way in: dividends and gains from the subsidiaries

Dividends and capital gains the ETVE obtains from foreign subsidiaries that meet the requirements of Article 21 LIS are 95% exempt. At the general rate of 25%, the cost in Spain is, as a general rule, equivalent to 1.25% of that income, before taking into account what has been paid in the source country.

95%
exempt (Art. 21 LIS)

25%
general rate on the remaining 5%

1.25%
cost in Spain, as a general rule

Why 95% and not 100%. For tax periods beginning on or after 1 January 2021, Law 11/2020 added Article 21.10, which reduces the exempt amount by 5% as management expenses. Article 21.11 provides an exception, for dividends only and for three years, where the subsidiary was incorporated after 1 January 2021 and has been held 100% directly since incorporation, with further requirements for the recipient.

The rate may be lower. In tax periods beginning in 2026, entities with net turnover below one million euros in the previous period are taxed, subject to conditions, at 19% on the first €50,000 of taxable income and at 21% on the rest (Transitional Provision 44 LIS).

The other side. Losses on the sale of qualifying shareholdings are not deductible (Art. 21.6 LIS).

In the subsidiary's country. The dividend paid to Spain may suffer withholding tax. Tax treaties usually limit it: for example, the treaty with Costa Rica limits source taxation to 5% where the beneficial owner is a company directly holding at least 20% of the paying company for a period of 365 days that includes the day of payment, subject to the other conditions of the treaty and the MLI.

Financing. Net financial expenses are subject to the general limit of Article 16 LIS: 30% of operating profit, with a minimum deductible amount of one million euros per annual period.

The way out: distributions and sales by non-resident shareholders

What the ETVE distributes to a non-resident shareholder out of exempt foreign income is not treated as obtained in Spain, if the conditions of Article 108 LIS are met. For distributions, the shareholder must not be tax resident in Spain, must have no permanent establishment here and must not be resident in a non-cooperative jurisdiction.

> The shareholder's country does not need a tax treaty with Spain.

On the sale of the shareholding in the ETVE, the rule covers the part of the gain that corresponds to reserves from exempt income or to unrealised gains on the foreign subsidiaries (Art. 108.2.b LIS). The rest may be taxed in Spain, in principle at 19% or as the applicable tax treaty provides.

Spain does not decide how the shareholder is taxed in their own country: that depends on that country's rules.

A worked example

Simplified assumptions: a foreign subsidiary that meets Article 21 LIS pays a dividend to the ETVE; the ETVE is taxed at 25%, has no other income or expenses and distributes everything it has left to a non-resident shareholder.

Item	Amount
Gross dividend from the subsidiary	**€1,000,000**
Withholding tax in the subsidiary's country (assumption: 5%, if the conditions of the applicable tax treaty are met)	**€50,000**
Corporate income tax in the ETVE (5% not exempt × 25%)	**€12,500**
Actual distribution to the shareholder	**€937,500**

- If Article 108 applies and all the profit distributed comes from that exempt income, the shareholder receives the €937,500 with no Spanish withholding tax. They will then be taxed, if applicable, in their own country.
- If only €737,500 came from exempt income and another €200,000 from profits that do not meet Article 108, those €200,000 would in principle bear 19% (€38,000), unless a tax treaty or an exemption gives a different result.

The example does not include credits for the foreign withholding tax or the shareholder's position in their own country.

Requirements

The requirements combine those of Article 107 LIS for the ETVE itself and those of Article 21 LIS for each shareholding.

Requirement	In practice
Corporate purpose	The articles of association must include the management and administration of securities of non-resident entities «through the corresponding organisation of material and human resources». It need not be the only purpose.
Resources	The ETVE must genuinely manage its shareholdings from Spain.
Registered shares	The ETVE's own shares must be registered shares (in an S.L. they always are).
Not an entidad patrimonial	The ETVE must not be classified as an entidad patrimonial (asset-holding company) for Spanish tax purposes.
Shareholding in each subsidiary	At least 5%, direct or indirect, and one year of ownership. Both requirements apply at the same time.
€20 million alternative	Abolished. Since 2021 it does not apply to new acquisitions; the transitional regime (Transitional Provision 40 LIS) covered periods beginning up to 2025.
Taxation of the subsidiary	A comparable tax at a nominal (not effective) rate of at least 10%, or residence in a country with an applicable tax treaty with exchange of information.
Subsidiaries in non-cooperative jurisdictions	No exemption, except for EU subsidiaries with valid economic reasons and an economic activity.
Notification	The election is notified to the Spanish Tax Agency, with no need for authorisation (Art. 107.2 LIS and Art. 51 of the Corporate Income Tax Regulations). It applies from the period ending after the notification.
Shareholders' residence	The advantage on distributions and on a sale does not apply to shareholders in non-cooperative jurisdictions.

Each year, the ETVE must report in the notes to its accounts the amount of exempt income and of taxes paid abroad, and provide its shareholders with the necessary information (Art. 108.3 LIS).

Substance: a checklist

Substance is the ETVE's real ability to direct and manage its shareholdings from Spain. The law sets no number of employees or offices: it requires sufficient and proportionate resources.

> Support can be outsourced; the decision cannot.

Item	Green if...	G · A · R
Governing body	Board (or director) with full powers to invest and divest	○ ○ ○
Knowledge	At least one director really knows the investments	○ ○ ○
Residence	A majority of directors resident in Spain	○ ○ ○
Meetings	Board and shareholders' meetings in Spain, with minutes reflecting the discussion	○ ○ ○
Powers of attorney	Holders of powers of attorney implement resolutions; they do not replace the governing body	○ ○ ○
Subsidiaries	The ETVE decides how to vote and documents its instructions	○ ○ ○
Treasury	Traceable receipts and payments, authorised and supervised by the governing body	○ ○ ○
Registered office	Registered office where the documents are kept	○ ○ ○
Outsourcing	Clear contracts; no decisions outsourced	○ ○ ○
Resources	Staff, office and budget proportionate to the group	○ ○ ○
Countries	Beneficial ownership, the PPT and the shareholder's CFC rules reviewed	○ ○ ○
File	Closed and archived with the year's accounts	○ ○ ○

Green: met and documented. **Amber:** met, without sufficient evidence. **Red:** not met. Some items (directors' residence, meetings) are the firm's recommendations, not legal requirements. A red on the first items seriously weakens the defence of the regime; the list should be reviewed at each year-end and before each significant distribution.

It is not only the Spanish tax authorities that look at substance: so do the authorities of the shareholders' and the subsidiaries' countries, which may require more to recognise the ETVE as the beneficial owner of the dividends.

Anti-abuse rules

Three layers, in addition to substance:

1 **Multilateral Convention (MLI)**
In force for Spain since 1 January 2022, with effects that depend on each tax treaty and each tax. It introduces into many treaties a clause allowing a benefit to be denied if obtaining it was one of the principal purposes, unless granting it is in accordance with the object and purpose of the relevant provisions (Art. 7.1 MLI).

2 **Beneficial owner**
To apply a treaty's reduced rate, the subsidiary's country may require the ETVE to be the true owner of the dividends, not an intermediary.

3 **CFC rules**
Those of the shareholder's country may, if their requirements are met, tax the shareholder on the ETVE's profits even if they are not distributed. Spain has its own (Art. 100 LIS) for foreign entities controlled by Spanish taxpayers.

Non-cooperative jurisdictions and Pillar Two

- The current reference is not the expression «tax haven» but Spain's list of non-cooperative jurisdictions (Additional Provision 10 of Law 36/2006), which does not match the EU list.
- Pillar Two can only affect groups with consolidated turnover of at least €750 million, and even for them Law 7/2024 adjusts certain dividends and gains, under its own conditions (Art. 10).

What we review most. Nobody should assume the tax treaty applies: residence, beneficial ownership, the principal purpose test and the shareholder's CFC rules are checked before setting up the structure and before each significant distribution.

Routes, steps and timetable

All three routes lead to the same place: a Spanish S.L. or S.A. that elects the regime. What changes is the starting point and the risks.

Route	When it makes sense	What to watch
New company	The usual route: no history or contingencies	Lead times for foreign documents
Existing company	If there is already a useful Spanish company or speed is needed	Debts, litigation and accounts; corporate purpose, registered office and management
Moving a foreign holding company	Families with a holding company in Panama or another country, if its law allows it (Royal Decree-law 5/2023)	The subsidiaries do not change owner; apostilled certificate, expert report and tax analysis in both countries

The incorporation and contributions that meet Article 45.I.B.11 of the consolidated ITPAJD Act are exempt from capital duty. Since Law 18/2022, an S.L. can be incorporated with capital of one euro (with protective rules until it reaches €3,000); an S.A. requires €60,000.

Indicative timetable (new S.L., shareholders in Latin America)

Wk 1–3	Preliminary analysis, consultation with local advisers, valuation of the subsidiaries and company name certificate
Wk 2–6	NIE or NIF for shareholders and directors; powers of attorney, apostilles and translations; certificates for the subsidiaries
Wk 4–6	Deed of incorporation and provisional NIF; bank account application
Wk 5–10	Registration with the Commercial Registry; definitive NIF; account actually opened (the usual bottleneck)
Wk 8–12	Capital increase with the contribution of the shareholdings; decision to elect the ETVE regime
Afterwards	Foreign investment filings; notification of the tax-neutrality regime; notification of the ETVE election before year-end; tax residence certificate and first board meeting in Spain

Allow three to four months from start to finish.

Annual obligations and costs

An ETVE complies like any Spanish company, and a little more. A typical year:

When	What
March	Preparation of the accounts, with the information required by Art. 108.3 LIS in the notes
April, October and December	Corporate income tax payments on account (form 202)
June	Ordinary general meeting: approval of the accounts and the distribution
July	Corporate income tax return (form 200, box 00011) and filing of the accounts
Quarterly or monthly	Withholding tax, where applicable, on the dividends it distributes
Depending on the case	Foreign investment filings, Bank of Spain, related-party transactions and transfer pricing
Every year	Substance file, closed with the year's accounts

What the cost depends on

Item	Depends on
Notary and Commercial Registry	Official scale fees, according to the capital
Capital duty	Exempt on incorporation and contributions
Capital and share premium	Value of the shareholdings contributed: an investment, not an expense
Apostilles, legalisations and translations	Country of origin, type and number of documents
Accounting and tax	Number of subsidiaries and transactions
Audit and consolidation	Legal thresholds, each year where applicable
Management and office	Size of the group and the substance required
Cost for the contributor	Tax value of the shareholdings, the contributor's country and the tax-neutrality regime

The ETVE compared with European holding companies

Criterion	Spain (ETVE)	Netherlands (BV)	Luxembourg (Soparfi)
Exemption of dividends and gains from subsidiaries	On 95% of the income (theoretical cost ≈1.25% at 25%). 5% and one year	100%. 5%, no minimum period	100%, with shareholding thresholds and 12 months of ownership
Withholding on distributions to non-EU shareholders	No withholding on distributions that meet Art. 108.1.c and 4	15% general domestic rate, with exemptions	15% general domestic rate, with exemptions and applicable tax treaties
Corporate income tax rate	25% general	19% up to €200,000 and 25.8% on the excess	23.87% aggregate nominal rate for the top bracket in Luxembourg City

Malta and Cyprus apply their own rules, which must be checked for the specific shareholder and regime. Switzerland and the United Kingdom have their own country profiles in the annex.

> Spain's great advantage is its tax treaty network with Spanish-speaking Latin America, the language and management in Spanish.

Spain usually makes more sense when:

- the shareholders are individuals or non-EU companies not resident in non-cooperative jurisdictions;
- the subsidiaries are in countries with a tax treaty with Spain in force and having effect for the income concerned;
- management is to be in Spanish, with real decisions taken in Spain;
- a sale of subsidiaries or, later, of the holding company itself is foreseen (Art. 108.2.b LIS).

It usually adds little when:

- the shareholder is an EU company and so are the subsidiaries: the Parent-Subsidiary Directive already allows distributions without withholding if its requirements are met;
- the shareholder is resident in Spain and will not reinvest;
- the company cannot be given real management from Spain;
- the shareholder's country taxes the holding company's profits anyway under its CFC rules.

The ETVE and PPLI

The business in the holding company, the liquidity in the policy. A PPLI (*private placement life insurance*) is a tailor-made unit-linked life insurance policy, usually taken out with an insurer in Luxembourg, Ireland or Liechtenstein. Combined with the ETVE, each piece does what it does best.

Structure	For whom	What it brings
The ETVE for the business; the PPLI for cash distributed by the ETVE	Any family with subsidiaries and financial wealth	1.25% in Spain on the way in, distributions to non-residents without withholding (Art. 108 LIS), and protection and succession of financial wealth
The policy as owner of the ETVE	Non-resident shareholder whose ETVE is not the business they run day to day	The shares are no longer in their name, and their non-resident beneficiaries receive the benefit of a life insurance policy
A PPLI designed for Spain	Someone planning to move to Spain	Taxed when policy proceeds are received, not every year, if the exceptions of Art. 14.2.h LIRPF (Personal Income Tax Act) are met

If the non-resident shareholder holds the ETVE shares in their own name, they are Spanish assets: their heirs may be subject to Spanish inheritance tax, unless an inheritance tax treaty limits this, and the shareholder pays Spanish wealth tax unless the tax treaty prevents it. This is what happens to the expatriate in case 4.

The policy as owner of the ETVE: what to review

- **Inheritance tax.** It depends on where each beneficiary lives. A beneficiary resident in Spain is taxed here on a personal basis, even if the insurer is foreign (Arts 3.1.c and 6 LISD, the Inheritance and Gift Tax Act). For non-residents, the law only taxes these amounts if the contract was made with a Spanish insurer or concluded in Spain with a foreign insurer operating here (Art. 7 LISD).
- **Wealth tax.** Whether the right against the insurer falls outside Spanish wealth tax requires checking the contract, the entity obliged to pay and where payment is due. We do not regard it as confirmed in advance.
- **Payment in kind.** It is advisable to provide for payment in cash. With assets of limited liquidity, Luxembourg circular letter 26/1 requires the insurer to reserve the possibility of paying in kind. Its Spanish treatment is not confirmed.
- **The ETVE does not change.** Art. 21 LIS exemption, distributions without Spanish withholding tax (Art. 108 LIS), substance in Spain and registered shares (Art. 107.1 LIS).
- **Real separation.** If the family in fact kept control, the tax authorities could make an adjustment (Arts 15 and 16 LGT, the General Tax Act).
- **Contributing shares already held** is a transfer: a capital gain in Spain (Art. 108.2 LIS and the tax treaty) and in the shareholder's country.

If the shareholder moves to Spain. The exceptions of Art. 14.2.h LIRPF must be met throughout the life of the contract. For wealth tax, the surrender value counts, or the mathematical reserve if full surrender is not possible (Art. 17 of Law 19/1991). Form 720 may have to be filed.

In Latin America, country by country. Mexico prohibits taking out insurance covering persons («seguros de personas») with foreign insurers if the policyholder is an individual who is in Mexico when the contract is concluded or, if it is a company, if the insured persons reside there (LISF, Art. 21). In Brazil, Lei 14.754/2023 includes surrenderable policies among financial investments abroad (Art. 3) and, if the investor influences the strategy, they may fall under the controlled entities regime.

What we do not advise: putting into the policy the business the family runs day to day, or having the ETVE as policyholder (no Art. 21 LIS exemption, annual inclusion under Art. 11.8 LIS and the risk of classification as an entidad patrimonial).

Who we work with. For these instruments, René Dechamps Azanza has worked for more than 20 years with 1291 Group, a Swiss group specialising in life insurance and wealth planning. We work hand in hand: the firm handles the ETVE and Spanish taxation, and 1291 Group the design of the policy. The final decision always rests with the client. Full page, with sources: dechampsabogados.com/en/etve/ppli-and-etve/

Moving to Spain with a holding company

A change in an individual's tax residence alters the taxation of dividends and of the sale of the ETVE. The relevant date depends on the first year of residence and, if there is dual residence, on the applicable tax treaty. A person who validly elects the inbound expatriate regime (régimen de impatriados) remains a personal income tax (IRPF) taxpayer and calculates their liability under its special rules.

What changes

- **Ordinary residence.** The ETVE's dividend is savings income for IRPF purposes (19%–30%) and Art. 108.1.c LIS no longer applies. What counts is the period of residence and the date on which the dividend becomes payable, not the date of travel. The way in does not change: the ETVE keeps the Art. 21 exemption.
- **Inbound expatriate regime (Art. 93 LIRPF).** During the first period of residence and the following five, the income that its rules treat as obtained in Spain is taxed: that from the Spanish ETVE, normally yes; that from a foreign holding company that is genuinely non-resident, in principle not, save for connections such as real estate.
- **A foreign holding company managed from Spain** may end up being resident in Spain (Art. 8 LIS) or, under the ordinary IRPF, be subject to CFC rules (Art. 91 LIRPF).
- **Wealth tax, the Solidarity Tax and Form 720** depend on whether tax is paid on worldwide assets (unlimited liability) or only on assets and rights located in Spain (limited liability).
- **The country being left.** Its exit tax must be reviewed before moving: for example, France (Art. 167 bis CGI) or the Netherlands (protective assessment). Spain may also tax latent gains when IRPF taxpayer status is lost (Art. 95 bis LIRPF).

What should be done before arriving

- **Set the arrival date.** Together with the days of presence, it determines the first year of residence and, where applicable, of the special regime.
- **Consider distributing exempt reserves** before the first period of Spanish residence. Check when they become payable, the year of residence and the applicable tax treaty before setting the date.
- **Decide what to do with the foreign holding company:** keep it with management genuinely outside Spain, move it to Spain or contribute it to an ETVE.
- **Check whether the inbound expatriate regime is available** and notify the election in time (Form 149: for the taxpayer, generally within six months of the documented start of the activity; a separate deadline applies to family members).
- **Document the acquisition cost** of the shareholdings and obtain tax residence certificates from the country of origin.
- **Review the immigration route.** Since 3 April 2025, the general route of visas and authorisations for investors has been abolished, with transitional rules for earlier applications and authorisations in force.

Full page, with sources: dechampsabogados.com/en/etve/moving-to-spain-with-a-holding/

CASE 1

Mexican family with subsidiaries in Colombia and Peru

Three siblings resident in Mexico own an ETVE holding 100% of a Colombian company and of a Peruvian company. Each distributes €1,000,000.



Level	Colombia	Peru
Withholding tax at source	€0 (Art. 10.2 of the tax treaty: company that is the beneficial owner holding at least 20%, directly or indirectly)	€50,000 (5%, Art. 56.e of Peruvian law)
Tax in the ETVE	€12,500	€12,500
Burden at source and in the ETVE	**1.25%**	**6.25%**

Three points

- The Protocol to the tax treaty with Colombia (point VI) refers to Art. 245 of the Colombian Tax Code for dividends out of profits that were not taxed in the Colombian company. The result depends on the origin of the profit and must be checked for each distribution.
- Peru meets the 10% test through its own corporate tax of 29.5%, not through a tax treaty, as none is in force.
- The dividend the siblings receive is not Spanish income if the requirements of Article 108 LIS are met. But Mexico's REFIPRE regime may tax them when the ETVE receives income, even if it does not distribute it, because the ETVE pays in Spain much less than 75% of the Mexican tax.

CONCLUSION In Spain, 1.25% on the way in and nothing on the way out. The real risk lies in Mexico.

CASE 2

US investor expanding into Spanish-speaking Latin America

A Delaware corporation sets up an ETVE holding 100% of a Mexican subsidiary and of a Colombian one. Each distributes €1,000,000.



SOURCE	0% in Mexico if the ETVE is the beneficial owner and directly holds at least 10% for a period of 365 days that includes the day of payment; 0% in Colombia with at least 20%, depending on the origin of the profit
ETVE	**€25,000** (1.25% of €2,000,000)
WAY OUT	**€0 in Spain** (Art. 108). There is no need to apply the tax treaty with the United States or its limitation on benefits clause, which is not a requirement of Article 108

What to look at

- The tax treaty with the United States does matter for profits that do not derive from exempt income, such as interest received by the ETVE.
- If the shareholder is an LLC or a partnership that the United States treats as transparent, its members must be looked at.
- In the United States, the final result depends on separate pieces that should not be mixed up: Subpart F and NCTI under §951A of the Internal Revenue Code, the deduction for foreign-source dividends under §245A, the PFIC regime and the classification of the ETVE as an S.A. or S.L. for US purposes. It must be reviewed with the US adviser.

CONCLUSION The ETVE allows a US company to receive the profits of its subsidiaries in Mexico and Colombia with 1.25% in Spain and no Spanish withholding tax on the way out. What happens next is decided by US law.

CASE 3

Dutch or Belgian group with a sub-holding company

For a European parent company, the way out may be exempt under the parent-subsidiary regime if its conditions are met. In an ETVE, Art. 108 may also operate if the profit distributed meets its own requirements. The ETVE adds value mainly as a regional holding company for Spanish-speaking Latin America, provided that it has real management.

A Dutch BV owns an ETVE. The ETVE has a Mexican sub-holding company which, in turn, owns three operating companies in Mexico.

Level	What happens
Mexican sub-holding → ETVE	0% withholding (tax treaty, at least 10% and 365 days)
ETVE	€12,500 on €1,000,000 (1.25%)
ETVE → BV (Netherlands)	€0 in Spain if its requirements are met (Art. 108 LIS or Art. 14.1.h TRLIRNR)

Points to check

- **Sub-holding rule (Art. 21.1.a LIS).** If dividends, shares in profits and gains on the transfer of shareholdings exceed 70% of its income, the minimum indirect percentage of 5% and the statutory holding period are in principle checked in the second-tier or lower-tier investees. The 70% is calculated on the consolidated result if the sub-holding is a parent within the meaning of Art. 42 of the Código de Comercio (Commercial Code) and prepares consolidated accounts. For the indirect 5%, there are exceptions for groups with consolidated financial statements and for income included in the investee's taxable base without entitlement to an exemption or double taxation relief. The taxation requirement in Art. 21.1.b is checked, at least, in the indirect investee. If only some of them meet it, the part of the income relating to them is separated out.
- **European routes.** The exemption in Art. 14.1.h of the TRLIRNR (consolidated text of the Non-Resident Income Tax Act) and the Parent-Subsidiary Directive have their own conditions: the form and residence of the parent, being subject to tax, shareholding, holding period and anti-abuse clause. The outcome cannot be presumed either in Spain or in the parent's country.
- **Beneficial owner.** For dividends, the applicable tax treaty or European rule must be checked and the ETVE's capacity to dispose of the funds documented. For the exemption in Art. 14.1.h TRLIRNR, the TEAC (Central Economic-Administrative Tribunal), in its decision of 27/01/2026 (RG 00/02180/2022), places on the tax authorities the burden of proving abuse, without relieving the taxpayer of proving the requirements. The ETVE must genuinely take decisions in Spain, not simply pass funds on to the BV.
- **In the Netherlands.** The BV applies, in principle, the participation exemption, with its conditions. It must be checked that the ETVE is not classified there as a portfolio investment participation. The outcome cannot be taken for granted either way: the Spanish nominal rate is not sufficient, nor does the ETVE always fail because of its 1.25%.
- **If the parent is Belgian.** The RDT/DBI (dividends-received) deduction excludes companies with a «notably more advantageous» regime, and the Belgian controlled foreign company regime compares with the hypothetical Belgian tax.

CONCLUSION For a European group, the ETVE is above all a regional holding company for Spanish-speaking Latin America, with real management in Spain; the European routes and the parent's country decide the rest.

CASE 4

Colombian entrepreneur living in Dubai

A Colombian entrepreneur moved to Dubai two years ago and is tax resident in the Emirates, where he carries on no business of his own. His ETVE holds 100% of a Colombian company and 100% of a UK company. Each distributes €1,000,000.



Level	Colombia	United Kingdom
Withholding tax at source	€0 (as in case 1: at least 20% and depending on the origin of the profit)	€0 (the United Kingdom does not withhold on ordinary dividends, and the tax treaty exempts them with 10%)
Tax in the ETVE	€12,500	€12,500
Burden at source and in the ETVE	**1.25%**	**1.25%**

The example assumes that the Colombian subsidiary distributes profits that allow the 0% rate to apply with no additional charge for profits untaxed in the company. If that is not the case, the cash the ETVE receives and the distribution change.

Four points

- **The way out without a tax treaty.** The treaty with the Emirates only treats as resident an individual domiciled there who is also a UAE national (Art. 4.1.b). This shareholder is not, but he does not need it: Art. 108 LIS does not require a tax treaty and the Emirates are not a non-cooperative jurisdiction. What Art. 108 does not cover (profits not derived from exempt income and the part of a future sale of the ETVE not protected by Art. 108.2.b LIS) is governed by Spanish law, with no treaty limiting the tax.
- **The Emirates.** They do not tax individuals on private or passive income. If the shareholder started a business there, the investment in the ETVE should not form part of it.
- **Colombia.** Colombia has its own rules under which some of its nationals remain tax resident in certain circumstances. Until his Colombian adviser confirms that he has ceased to be resident, the Colombian controlled foreign entities regime may reach the ETVE.
- **Wealth tax in Spain.** Without a right to the tax treaty, the shareholder pays Spanish wealth tax and, where applicable, the Temporary Solidarity Tax on Large Fortunes on the value of his shares in the ETVE. It must be calculated every 31 December, and whether the family business exemption applies must be checked. A UAE national domiciled in the Emirates could invoke the treaty.

CONCLUSION In Spain, 1.25% on the way in and nothing on the way out, even though the shareholder has no right to the tax treaty. The risk lies in whether Colombia accepts that he is no longer resident and in Spanish wealth tax. Page 15 explains an alternative, if the ETVE is not the business he runs day to day: having a life insurance policy own the ETVE.

CASE 5

Mexican family settled in Switzerland, with subsidiaries in Mexico and Switzerland

A Mexican couple lives in Zurich and is tax resident in Switzerland. Their ETVE holds 100% of a Mexican company and 100% of a Swiss company that the ETVE itself set up three years ago. Each subsidiary distributes €1,000,000. The ETVE distributes half of what remains after Spanish corporate income tax and reinvests the rest.



Level	Mexico	Switzerland
Withholding tax at source	€0 (as in case 2: beneficial owner with at least 10% directly for 365 days including the payment date)	€0 with the notification procedure; without it, €350,000 (35%) withheld and awaiting refund
Tax in the ETVE	€12,500	€12,500
Burden at source and in the ETVE, before the shareholders' tax	1.25%	1.25%

Five points

- **2006 Protocol, section II.** It limits the exemption for Swiss dividends if the ETVE is majority-controlled by persons not resident in Switzerland, Spain or the EU. Here the shareholders live in Switzerland, so it is not triggered. If they moved back to Mexico, the ETVE would have to show one of its exceptions, such as genuinely managing the Swiss subsidiary with adequate resources in Spain.
- **Swiss procedure.** The exemption does not by itself avoid withholding on payment. The Swiss subsidiary applies on Form 823B, with the ETVE's documentation, for an authorisation valid for five years; the EU-Switzerland Agreement route, whose requirements this ETVE meets, is also available using Form 823C. The subsidiary reports each distribution with Form 108 within 30 days of the dividend falling due. Since the ETVE set up the subsidiary, there are no reserves predating the structure.
- **The shareholders in Switzerland.** They pay tax on the €987,500 distributed when they acquire a firm right to the dividend, usually when the distribution is approved. At federal level, with a holding of at least 10%, 70% of the dividend is taxable, and the cantonal percentage depends on the canton. The €987,500 reinvested is not taxed in Switzerland until distributed, because Switzerland has no controlled foreign company regime. The shares are declared for cantonal wealth tax.
- **Mexico.** The couple must have ceased to be tax resident in Mexico under the Mexican rules on change of residence. If Mexico still treated them as resident, REFIPRE from case 1 would again be the central issue.
- **Wealth tax in Spain.** The tax treaty with Switzerland reserves exclusive taxing rights over the ETVE shares to the country of residence (Art. 22.4): Spain does not tax them.

CONCLUSION The 35% Swiss withholding tax is avoided through the tax treaty and the notification procedure; the profits the ETVE does not distribute are not attributed to the shareholders in Switzerland, and Spain does not charge them wealth tax.

CASE 6

Family resident in Singapore with subsidiaries in Mexico and Uruguay

Spain keeps 1.25% on the way in and nothing on the way out, and Singapore does not tax resident individuals on their foreign-source income. The structure works. The Spanish tax cost needs to be assessed: the tax treaty with Singapore has no article on capital, and the shareholders pay Spanish wealth tax here on their shares in the ETVE.

A couple lives in Singapore. For more than a year their ETVE has held 100% of a Mexican company and 100% of a Uruguayan company. Each distributes €1,000,000.



Level	Mexico	Uruguay
Withholding tax at source	€0 (the ETVE is the beneficial owner and directly holds at least 10% for 365 days that include the day of payment)	€0 (exemption with at least 75% held directly for 365 days: Art. 10 of the tax treaty and Art. 8 of the MLI)
Tax in the ETVE	€12,500	€12,500
Burden at source and in the ETVE	1.25%	1.25%

The distribution is the amount available after withholding tax at source and Spanish corporate income tax, before any tax the shareholder may pay in their own country.

Four points

- **Singapore.** Foreign-source income received by resident individuals is exempt (s. 13(7A) of its Income Tax Act), unless it is received through a Singapore partnership. If the couple held the ETVE through a Singapore company, the exemption in section 13(8) requires three conditions, and with an ETVE we do not regard it as confirmed without its accounts.
- **The way out.** Spain does not withhold tax if the requirements of Art. 108 LIS are met, and Art. 108 does not require a tax treaty.
- **Wealth tax in Spain.** The tax treaty with Singapore has no article on capital. Each shareholder pays Spanish wealth tax and, where applicable, the Temporary Solidarity Tax on Large Fortunes on the value of their shares in the ETVE. It must be calculated every 31 December, and whether the family business exemption applies must be checked. Page 15 explains an alternative, if the ETVE is not the business the family runs day to day.
- **Hong Kong.** A family resident in Hong Kong would be in a similar position: Hong Kong does not tax individuals on dividends, and its tax treaty with Spain has no article on capital either. If the shareholder were a Hong Kong company belonging to a multinational group, the FSIE regime would need to be reviewed.

Both subsidiaries meet Art. 21 LIS through their tax treaty with Spain, which contains an exchange of information clause.

CASE 7

Entrepreneur resident in the United Kingdom with subsidiaries in Argentina and Mexico

In Spain, the result is the same as in the other cases: 1.25% on the way in and nothing on the way out. But, as a general rule, the ETVE is not recommended for an individual resident in the United Kingdom: the UK transfer of assets abroad rules may attribute the ETVE's income to them. The analysis starts in the shareholder's country.

An Argentine entrepreneur has lived in London for fifteen years and is tax resident in the United Kingdom. His ETVE holds 100% of an Argentine company and 100% of a Mexican company. Each distributes €1,000,000. The Argentine dividend is paid out of profits subject to the current 7% withholding regime, with no earlier reserves that would change the treatment under the allocation rules of Art. 193 of the Argentine Income Tax Law (Ley del Impuesto a las Ganancias).



Level	Argentina	Mexico
Withholding tax at source	€70,000 (7%, the withholding Argentine law applies today; the tax treaty caps it at 10% with at least 25% held directly). The subsidiary meets Art. 21 LIS: the tax treaty has an exchange of information clause	€0 (as in case 6)
Tax in the ETVE	€12,500	€12,500
Burden at source and in the ETVE	8.25%	1.25%

The distribution is the amount available after withholding tax at source and Spanish corporate income tax, before the shareholder's tax in the United Kingdom.

Four points

- **The UK rules.** The *transfer of assets abroad* rules (ITA 2007, ss. 714 onwards) may attribute the income of a foreign company to a resident individual. Since 6 April 2025 the genuine transaction exemption no longer exists; what remains is the motive defence, with the burden of proof on the taxpayer, and HMRC examines all the purposes of the arrangement. An ETVE has, among others, a tax purpose. That is why, as a general rule, we do not recommend it without a specific analysis by the UK adviser.
- **New residents.** Someone who becomes UK tax resident after ten consecutive UK tax years of non-residence can claim relief under the FIG regime for their first four consecutive tax years of residence, making a separate claim for each year. HMRC accepts it for certain foreign income attributed under those rules. It changes the analysis during those four years, not afterwards.
- **A UK company as shareholder fits better.** The UK CFC regime calculates the ETVE's profits as if it were resident in the United Kingdom, and that calculation excludes dividends that are exempt under Part 9A of CTA 2009. The ETVE's dividend may be exempt for the UK company. Other income of the ETVE, such as interest, is reviewed separately. But placing a UK company in between does not rule out the *transfer of assets abroad* rules for its individual owners: specific rules for transfers made by closely-held companies (ITA 2007, ss. 719A, 720A and 727A) apply to income arising from 6 April 2024, even where the transfer was made earlier, and the exemption of the dividend for the company does not settle that analysis.
- **Wealth tax in Spain.** Unlike case 6, here the tax treaty does protect: under Art. 21.5, the United Kingdom in principle has the exclusive right to tax wealth represented by ordinary shareholdings. Under Art. 21.4, Spain retains taxing rights in two cases: where more than 50% of the value of the shares derives from Spanish immovable property; and where the shares or other rights entitle the holder to enjoy Spanish immovable property.

CASE 8

Canadian company investing in Colombia and Costa Rica

The ETVE allows a Canadian company to receive the profits of its Latin American subsidiaries with a Spanish tax charge of 1.25% and no Spanish withholding tax on the onward distribution. In Canada, the dividends the ETVE receives from its subsidiaries fall, subject to conditions, outside the passive income of the FAPI regime. The surplus from which each ETVE dividend is paid must be calculated.

A Canadian company sets up an ETVE holding 100% of a Colombian subsidiary and 100% of a Costa Rican subsidiary. Each distributes €1,000,000.



Level	Colombia	Costa Rica
Withholding tax at source	€0 (at least 20%, depending on the origin of the profit, as in case 1)	€50,000 (5%: the ETVE is the beneficial owner and directly holds at least 20% for 365 days that include the day of payment: Art. 10 of the tax treaty and Art. 8 of the MLI)
Tax in the ETVE	€12,500	€12,500
Burden at source and in the ETVE	1.25%	6.25%

The distribution is the amount available after withholding tax at source and Spanish corporate income tax, before the company's tax in Canada.

Four points

- **The FAPI regime.** Ordinary dividends that the ETVE receives from another foreign affiliate of the same taxpayer fall outside FAPI under element A(b) of the definition in section 95(1) of the Canadian Act, subject to its anti-hybrid conditions. That does not exclude the ETVE's other passive income, nor FAPI that may come from indirect affiliates. Interest from group financing may give rise to FAPI unless, among other things, it meets the conditions for recharacterisation as active business income in section 95(2)(a).
- **The ETVE's dividend.** The Canadian company claims the deduction in section 113 of the Income Tax Act according to the surplus out of which the dividend is paid (exempt, taxable, hybrid or pre-acquisition surplus). Exempt surplus does not follow automatically from the ETVE regime or from the subsidiaries being in Latin America: it depends on the type of profit and on the residence and activity of each subsidiary (sections 5901 and 5907 of the Regulations). It has to be calculated with the Canadian adviser. The company also files the T1134 information return.
- **The way out and wealth tax.** Spain does not withhold tax if the requirements of Art. 108 LIS are met. As the shareholder is a company, there is no Spanish wealth tax.
- **If a Canadian subsidiary is added later.** A Canadian subsidiary of the ETVE would require checking Art. XXVIII.3 of the tax treaty, which can deny treaty benefits to a company with non-resident beneficial owners. It is not an automatic exclusion, but without the treaty Canada would withhold 25%.

Compare case 2: the Spanish side is the same for a US or a Canadian company; what changes is the law of the shareholder's country.

CASE 9

The exit: the ETVE sells a subsidiary, or a shareholder sells the ETVE

The ETVE sells its Peruvian subsidiary

In Spain, the capital gain on selling a subsidiary that meets Article 21 costs 1.25%. The subsidiary's country may also tax it and, if the exemption applies, that tax does not give a full credit in Spain. The ETVE bought its Peruvian subsidiary for €1,000,000 and sells it off-market for €6,000,000: a gain of €5,000,000.

Level	Calculation	Tax
Peru (non-domiciled legal person, sale outside the country)	30% of €5,000,000 if the cost is deductible, with the certificate of recovery of invested capital obtained before payment; without it, up to €1,800,000 (Art. 56.j of the Peruvian law)	€1,500,000
ETVE in Spain	5% of €5,000,000 at 25%	€62,500
Total, before any tax credits		€1,562,500

- **The ETVE does not neutralise the tax in the subsidiary's country.** With subsidiaries in treaty countries, Article 13 of the applicable treaty may limit it. It must be read before selling.
- **Requirements on sale.** The 5% and the one-year holding period are checked on the date of sale; the 10% nominal rate in each year of ownership (Art. 21.3 LIS); if it is not met in some years, the part corresponding to undistributed profits is exempt only for the years in which it is met, and the rest is presumed to have arisen evenly, unless proven otherwise, and is exempt in proportion to those years; the taxable portion may qualify for the Art. 31 LIS credit.
- **Exemption or foreign tax credit.** The ETVE may instead include the gain in its tax base and credit the Peruvian tax against Spanish tax, up to the Spanish tax attributable to that income (Arts 21.9.c and 31 LIS), but the profit obtained in this way is not, by that fact alone, protected by Article 108.1 when distributed to non-resident shareholders. A loss would not be deductible (Art. 21.6 LIS).

A shareholder resident in Chile sells her shareholding in the ETVE

Under its domestic law, Spain may only tax the part of the gain that does not derive from exempt reserves or from the increase in value of foreign subsidiaries meeting Article 21 (Art. 108.2.b LIS). She contributed €2,000,000 and sells for €8,000,000: a gain of €6,000,000. The subsidiaries' country may also tax the indirect sale (for example, Peru, Art. 10.e of its law).

Origin of the gain	Amount	In Spain
Reserves from exempt dividends	€2,500,000	Not Spanish income
Increase in value of the foreign subsidiaries	€3,000,000	Not Spanish income
Increase in value of a flat in Madrid owned by the ETVE	€500,000	Spanish income

The domestic 19% rate on €500,000 would give €95,000 before applying the treaty. Article 13.4 of the treaty with Chile and point XI of its Protocol may limit it (16% if she held the shares for more than twelve months and is not a habitual seller), depending on her percentage in the preceding twelve months, the composition of the ETVE's assets and the base on which the limit is measured. If she were resident in another EU Member State, she could apply the Art. 14.1.c TRLIRNR exemption, subject to its exceptions; in a non-cooperative jurisdiction, the whole gain would be Spanish income.

CASE 10

When the ETVE is not worthwhile

The ETVE solves the Spanish side. If the shareholder lives in Spain or their country taxes them anyway, the saving shrinks considerably or disappears.

1. **Individual shareholder resident in Spain.** The ETVE's dividend is savings income in their personal income tax (IRPF), at rates from 19% to 30%. If €987,500 is entirely taxable savings income (base liquidable del ahorro), the ordinary state and regional scale adds up to €278,130 before adjustments, an effective 28.2%. The burden is essentially the same as with an ordinary holding company: the ETVE makes sense above all if profits are reinvested or to organise the family holding company.

2. **Shareholder subject to CFC rules.** This is the case of the Mexican shareholder subject to REFIPRE (case 1). They are taxed in their country when the ETVE receives income, even if it does not distribute it. The deferral is lost and the costs of maintaining the company remain. Other countries in the region have similar rules, and in the United Kingdom the transfer of assets abroad rules play a similar role for individuals (case 7).

3. **Operating income.** Services, interest or commissions that are to be «centralised» in the ETVE are taxed at 25% and may create problems in the source country.

4. **No real management in Spain.** An ETVE that only receives and passes on dividends puts the regime and treaty benefits at risk.

5. **Subsidiaries in non-cooperative jurisdictions or that do not meet the 10% test.** As a rule, their income is not exempt under Article 21 and its distribution does not benefit from Article 108.

Why we include this case. Saying clearly when an ETVE is not a good fit is part of the analysis. If the shareholder plans to move to Spain, it is best to plan it beforehand.

Eight common mistakes

Much of what circulates about the ETVE is out of date. The correct position as at November 2026:

	WHAT IS SAID	THE CORRECT POSITION
1	*«The exemption is total»*	As a general rule it has been 95% since 2021 (a cost of around 1.25% at the general rate), except for the dividend exception in Art. 21.11 LIS.
2	*«A shareholding worth more than 20 million is enough»*	Abolished for new acquisitions. 5% and one year are required, both.
3	*«It is a tax haven company»*	It is a Spanish company that pays corporate income tax. The current reference is the list of non-cooperative jurisdictions, which is not the EU list.
4	*«Zero tax for all shareholders»*	Only non-resident shareholders, only profits from exempt income, subject to the conditions of Art. 108 and never for shareholders in a non-cooperative jurisdiction. The shareholder's country may tax them.
5	*«A tax treaty with the shareholder's country is needed»*	Article 108 does not require one.
6	*«Authorisation from the tax authorities is needed»*	It is enough to notify the election.
7	*«A notarial power of attorney to someone in Spain is enough»*	A power to carry out instructions does not prove an organisation that really manages the portfolio.
8	*«Pillar Two takes the 1.25% to 15%»*	It can only affect groups with consolidated turnover of at least €750 million.

The 24 countries: tax treaties, MLI and investment agreements (1/2)

Data checked in November 2026 against the Spanish Ministry of Finance's official list of tax treaties, the Secretary of State for Trade's list of bilateral investment treaties (APPRIs) and the MLI depositary's list. The date of entry into force is not the date from which a treaty has effect.

Country	Tax treaty with Spain	MLI	APPRI
Argentina	Yes · 2013, in force in 2013	Yes · withholding taxes from 01/01/2027	In force since 28/09/1992
Brazil	Yes · 1974, in force in 1975	Does not modify it for now	Signed, not in force
Chile	Yes · 2003, in force in 2003	Yes · from 01/01/2023	In force since 29/03/1994
Colombia	Yes · 2005, in force in 2008	Does not modify it: Colombia has not deposited its ratification	In force since 22/09/2007
Costa Rica	Yes · signed in 2004, in force on 15/12/2010, effective from 01/01/2011	Yes · from 01/01/2023	In force since 09/06/1999
Dominican Republic	Yes · 2011, in force in 2014	No: not listed in the MLI	In force since 07/10/1996
Ecuador	Yes · 1991, in force in 1993	No: Ecuador is not a signatory	Terminated (2017, effective 2022); protection of earlier investments until 2032
Mexico	Yes · signed in 1992, in force in 1994 (protocol in force in 2017)	Yes · withholding taxes from 01/01/2024	In force since 03/04/2008
Panama	Yes · signed in 2010, in force on 25/07/2011	Yes · from 01/01/2023	In force since 31/07/1998
Peru	No tax treaty in force. The text signed in 2006 did not enter into force	Not applicable	In force since 16/02/1996
United States	Yes · 1990 (protocol in force on 27/11/2019)	No: the United States is not a signatory	See the country profile
Uruguay	Yes · 2009, in force in 2011	Yes · effects as per the Ministry of Finance's synthesised text	In force since 06/05/1994 (date of the BOE)
Venezuela	Yes · 2003, in force in 2004	No: Venezuela is not a party	In force since 10/09/1997

Other countries in the region with a tax treaty: Barbados, Bolivia, Cuba, El Salvador, Jamaica, Paraguay and Trinidad and Tobago. The treaty with Paraguay entered into force on 14/10/2024.

Continued overleaf with Canada, Europe, the Gulf and Asia. None of those eleven countries is on Spain's list of non-cooperative jurisdictions. Full country profiles at dechampsabogados.com/en/etve/countries/.

The 24 countries: tax treaties, MLI and investment agreements (2/2)

Country	Tax treaty with Spain	MLI	APPRI
THE AMERICAS			
Canada	Yes · 1976 (BOE 06/02/1981); 2014 Protocol in force since 12/12/2015	Yes · from 01/01/2023	Not covered in this guide
EUROPE			
Belgium	Yes · 1995, in force since 25/06/2003 (Protocols of 2009 and 2014)	Yes · from 01/01/2023	None with the Belgium-Luxembourg Economic Union; EU law applies
France	Yes · 1995, in force since 01/07/1997	Yes · from 01/01/2023	None; EU law applies
Netherlands	Yes · 1971, in force since 20/09/1972 (a new treaty is not yet in force)	No: the 1971 treaty is not modified by the MLI	None; EU law applies
Switzerland	Yes · 1966 (BOE 03/03/1967); Protocols of 2006 and 2011	No: not covered by the MLI; the 2006 and 2011 Protocols apply	Not covered in this guide
United Kingdom	Yes · 2013, in force since 12/06/2014	Yes · from 01/01/2023	Not covered in this guide
THE GULF AND ASIA			
Hong Kong	Yes · 2011, in force since 13/04/2012	Yes · in Spain, withholding taxes from 01/01/2024	Not covered in this guide
Qatar	Yes · 2015, in force since 06/02/2018	Yes · from 01/01/2023	Not covered in this guide
Saudi Arabia	Yes · 2007, in force since 01/10/2008	Yes · from 01/01/2023	Not covered in this guide
Singapore	Yes · 2011, in force since 02/02/2012	Yes · from 01/01/2023	Not covered in this guide
United Arab Emirates	Yes · 2006, in force since 02/04/2007	Yes · from 01/01/2023	Not covered in this guide

None of these eleven countries is a non-cooperative jurisdiction for Spain. The bilateral investment treaty column is analysed only for Latin America and the European Union. Full country profiles, with their official sources, at dechampsabogados.com/en/etve/countries/.

The 24 countries: the shareholder's CFC rules (1/2)

The shareholder's country may apply controlled foreign company (CFC) rules that cancel out the saving achieved in Spain. That a regime exists does not mean it applies: the percentage, control, type of income and exceptions all count.

Shareholder's country	Regime and legislation	What to look at
Argentina	Income Tax Law (consolidated text 2019), Art. 130	Control (generally at least 50%), passive income of at least 50% and effective tax below 75% of the Argentine tax
Brazil	Lei 12.973/2014 (companies) and Lei 14.754/2023 (individuals)	For individuals, control and the two routes in Art. 5 § 5
Chile	Art. 41 G of the Income Tax Law	Passive income of controlled entities; amended by Law 21.713 (2024)
Colombia	Controlled foreign entities (ECE), Tax Code, Arts 882-893	Control and passive income
Costa Rica	Territorial income tax (Law 7092, Art. 1)	The ETVE's dividend is foreign income; review a corporate shareholder in a multinational group (Law 10.381)
Dominican Republic	Foreign income from investments and financial gains (Art. 269 of the Tax Code)	The dividend forms part of gross income; new residents, from the third year (Art. 271)
Ecuador	Controlled foreign company, LRTI, Arts 51.1-51.7 (since 2024)	Holding of at least 25% and effective rate below 60% of the Ecuadorian rate
Mexico	Preferential tax regimes (REFIPRE), LISR, Title VI, Arts 176-177	Income taxed at less than 75% of Mexican ISR; the business activity exception does not apply if passive income exceeds 20%
Panama	Territorial system; Law 526 of 2026 and Executive Decree 32 of 2026, from the 2027 tax period	Foreign passive income and substance, if the shareholder is a holding company in a multinational group
Peru	CFC rules, LIR, Arts 111-116	Control of more than 50% and passive income taxed at 75% or less of the Peruvian tax
United States	Subpart F and NCTI (formerly GILTI), IRC §§ 951 and 951A	US shareholders of controlled corporations; also review the PFIC regime
Uruguay	Uruguayan IRPF, attribution of foreign capital income (Law 20.446 and Decree 95/026, from 2026)	Individual with at least 5%; no low-taxation test
Venezuela	ISLR Law: regime for investments in low-tax jurisdictions	Analysed in the country profile

Continued overleaf with Canada, Europe, the Gulf and Asia, including the *transfer of assets abroad* rules in the United Kingdom and the absence of a CFC regime in Switzerland.

We review this with the shareholder's local adviser before setting up the structure.

The 24 countries: the shareholder's CFC rules (2/2)

Shareholder's country	Regime and legislation	What to look at
THE AMERICAS		
Canada	FAPI (Income Tax Act, s. 95) and surplus rules (Regulations, ss. 5901 and 5907)	Ordinary dividends between foreign affiliates of the same taxpayer excluded under element A(b), subject to anti-hybrid conditions; surplus computation for a company; foreign tax credit for an individual
EUROPE		
Belgium	Company: CFC regime of Art. 185/2 CIR 92; individual: «taxe Caïman»	Company: control and tax lower than half the hypothetical Belgian tax. Individual: whether the ETVE is a «legal construction»
France	Arts 209 B (companies) and 123 bis (individuals) CGI	Each with its own safeguard for EU entities, linked to the absence of an artificial arrangement
Netherlands	BV: Art. 13ab Wet Vpb; individuals: foreign investment entity rules (Arts 4.13 and 4.14 Wet IB 2001)	Spain is not on the 2026 ministerial list; for a BV, whether the ETVE is a portfolio investment participation
Switzerland	No CFC regime	The shareholder is taxed on distributions; the shares are declared for cantonal wealth tax
United Kingdom	Individuals: *transfer of assets abroad* (ITA 2007, ss. 714 onwards); companies: CFC regime (TIOPA 2010, Part 9A)	Individual: generally not advisable, save the FIG regime for new residents. Company: exempt dividends excluded from the CFC charge
THE GULF AND ASIA		
Hong Kong	Individuals: dividends not taxed. Companies in a multinational group: FSIE regime	Participation exemption (at least 5% for the 12 months before accrual and the 15% test) or economic substance in Hong Kong
Qatar	Law 11 of 2022: companies taxed at 10% on foreign dividends, subject to exemptions	Individual: depends on nationality and activity; not treated as confirmed
Saudi Arabia	No personal income tax; zakat does not apply to an individual with no business activity	Company as shareholder: not treated as confirmed
Singapore	Resident individuals: foreign-source income exempt (s. 13(7A) ITA)	Company: the s. 13(8) exemption is not treated as confirmed for an ETVE
United Arab Emirates	No personal income tax; corporate tax of 9% above AED 375,000	Individual: fits, even as an expatriate. Company: not treated as confirmed

We review this with the shareholder's local adviser before setting up the structure.

The simulator

Before a meeting, the simulator gives a first estimate with the client's data. It is based on the law in force in November 2026 and has two parts.

dechampsabogados.com/en/etve/simulator

1

Indicative test

It identifies the points to review for each subsidiary (minimum 5% shareholding, one year of ownership, comparable tax of at least 10% nominal or a tax treaty with exchange of information, non-cooperative jurisdictions), for the ETVE (real management and asset-holding status) and for the shareholder.

2

Estimated tax cost in Spain

It always compares three legal scenarios and marks those ruled out by the test answers. It applies the general rate of 25%.

What it does not calculate

- taxes in the shareholder's country, or those of the subsidiaries in their countries;
- withholding tax at source on the dividends paid up to the ETVE;
- the CFC rules of the shareholder's country;
- Pillar Two, which only affects groups with consolidated turnover of at least €750 million;
- shareholders resident in Spain or shareholders in non-cooperative jurisdictions;
- the sale or liquidation of the ETVE by the shareholder;
- other income of the ETVE, such as services or interest, or its expenses.

It is an indicative result, not an opinion: it helps to decide whether the case is worth studying.

Frequently asked questions

Do the shareholders have to live in Spain?

No. The shareholders can live in any country; if they live in a non-cooperative jurisdiction, they lose the advantage of receiving dividends without withholding tax. What must be in Spain is the real management of the company.

How much tax does Spain take on a €1 million dividend?

At the general rate of 25%, €12,500: 1.25%.

Is authorisation from the tax authorities needed?

No. It is enough to notify the Spanish Tax Agency of the election. It applies from the period ending after the notification.

Can the director be non-resident or of another nationality?

What counts is where decisions are taken, not the director's nationality. We recommend that a majority of the directors live in Spain and that board meetings are held here.

Can an existing Spanish company be converted into an ETVE?

Yes, after first reviewing its debts, litigation and accounts, and adapting its corporate purpose, registered office and management.

What if the shareholder plans to move to Spain?

It is best to plan it beforehand. A shareholder resident in Spain is taxed on the dividends in their personal income tax (IRPF), as savings income, and the Article 108 advantage disappears.

Does the ETVE work as a family holding company?

Yes, to organise the family's shareholdings, bring in new generations and plan for succession, with a family charter (protocolo familiar) and shareholders' agreements. If the family is resident in Spain, wealth tax and inheritance and gift tax also come into play.

What if the ETVE's shareholder is in the European Union?

If it is an EU company holding at least 5% for one year, the dividend may already be exempt without an ETVE. The advantage shows above all with individual shareholders and shareholders from outside the EU.

What if a shareholder lives in Dubai, Switzerland, Singapore, the United Kingdom or Canada?

It depends on the country. For an individual, it generally fits if they live in Switzerland, the United Arab Emirates, Singapore, Hong Kong or Saudi Arabia (in the latter case, if they carry on no business activity). In the United Kingdom, as a general rule it does not, unless the FIG regime for new residents changes the analysis. In Canada, FAPI and the surplus computation must be reviewed, and for Qatar we do not treat it as confirmed. Spanish wealth tax is a separate question: the tax treaties with Singapore, Hong Kong, Qatar and Saudi Arabia do not prevent it, and the one with the Emirates only protects UAE nationals.

How we work

We work with you. We coordinate the work with the client's local adviser: you know your country and your client; we know the Spanish side. We set up the ETVE and handle its full management in Spain; optional services are engaged only if the group needs them.

1 · SET-UP

- Preliminary analysis of the group, the shareholders and the countries involved, including their CFC rules.
- Identification of shareholders and ultimate beneficial owners (UBOs) for KYC purposes.
- Incorporation of a new ETVE, purchase of an existing company or relocation of a foreign holding company to Spain.
- Powers of attorney, NIE and NIF for shareholders and directors, and the company's digital certificate.
- Contribution of the subsidiaries' shares and opening of the bank account.
- Notification to the tax authorities of the election for the ETVE regime.

2 · GOVERNANCE AND SUBSTANCE

- Registered office at our offices in Madrid; if needed, a dedicated office for the company **(optional)**.
- Board secretarial services: notices, meetings in Spain, minutes and corporate books.
- Director resident in Spain **(optional)**.
- Annual substance and compliance file, closed with the accounts.
- Calendar of corporate, tax and statistical obligations.

3 · ACCOUNTING AND TAX

- Bookkeeping, periodic balance sheets and intercompany reconciliations.
- Annual accounts, legalisation of books and filing with the Commercial Registry.
- Corporate income tax, payments on account, withholding tax and tax residence certificates.
- Foreign investment filings with the Bank of Spain and the Ministry.
- Payroll and social security, if the company has employees **(optional)**.
- Requests and notices from the tax authorities and other bodies.

4 · TRANSACTIONS

- Payment of dividends and other payments, with the documents banks require.
- Intra-group loans, capital increases and changes to the articles or registered office.
- Entry or exit of shareholders, sale of subsidiaries or of the holding company itself, with its tax review.
- Coordination with auditors, notaries, registries, banks and local advisers in each country.

How we do it

1. First meeting at no cost with René Dechamps Azanza, abogado, in Madrid or by video call.
2. Written proposal: the set-up and an annual maintenance fee; anything extraordinary, separately.
3. Set-up of the ETVE, with a clear timetable and coordination of notaries, registries and banks.
4. Annual support so that the company complies and can prove it.

For a first assessment it helps us to have the group's structure chart (companies, countries and percentages), each shareholder's tax residence and what the client wants to achieve.

ANNEX

Country profiles

Twenty-four countries, two pages each. Each country is seen from two sides that should not be mixed: **the subsidiary** (what the country withholds when the dividend goes up to the ETVE) and **the shareholder** (how what the ETVE distributes is taxed there).

How to read each profile

- **In short:** the country's key points in four lines.
- **Key facts:** tax treaty with Spain, Multilateral Convention (MLI), investment protection agreement (APPRI) and withholding limits.
- **The subsidiary:** withholding at source, the minimum taxation requirement of Art. 21 LIS and the sale of the subsidiary.
- **The shareholder:** what Spain does (Art. 108 LIS) and what the shareholder's country does, including its CFC rules.
- **What we review:** the points we check before setting up the structure.

Withholding rates are maximum limits, which apply only if their conditions are met (beneficial ownership, percentage, holding period and anti-abuse clauses). A treaty's date of entry into force is not its effective date. Data checked in November 2026; the full profile of each country, with its official sources, is at dechampsabogados.com/en/etve/countries/.

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Argentina

Tax treaty in force | MLI · withholding taxes from 2027 | APPRI in force | CFC rules: Art. 130 LIG

IN SHORT

- Tax treaty and Memorandum signed on 11/03/2013, in force on 23/12/2013 and applicable from 01/01/2013.
- Dividends from the Argentine subsidiary: cap of 10% (company that is the beneficial owner with at least 25% directly and, from 01/01/2027, for 365 days) or 15%; Argentine law currently withholds 7%.
- Beneficial ownership and the principal purpose test of the Memorandum apply today; the MLI rules on withholding taxes apply from 01/01/2027.
- Argentine shareholder: the ETVE's dividend is in principle foreign-source, and the CFC rules of Art. 130.f LIG require a case-by-case calculation if the shareholder controls the ETVE.

Key facts

Tax treaty	Signed on 11/03/2013, in force on 23/12/2013, applicable from 01/01/2013. It replaced the 1992 treaty
MLI	Yes · withholding taxes from 01/01/2027
APPRI	In force since 28/09/1992
Dividends (Art. 10)	10% with at least 25% held directly (from 01/01/2027, for 365 days; Art. 8 MLI); 15% otherwise
Sale of shares (Art. 13.5)	10% with a direct holding of at least 25%; 15% in other cases

The Argentine subsidiary of an ETVE

It comfortably meets the minimum taxation test of Article 21: Argentine corporate tax is levied on a scale with nominal brackets of 25%, 30% and 35%, well above the 10% required by Spanish law, and the tax treaty has an exchange of information clause. If the 5% and the one-year holding period are met, dividends and capital gains are 95% exempt in the ETVE: a Spanish cost of 1.25% at the general rate.

The dividend paid up to Spain bears the 7% Argentine withholding tax on foreign beneficiaries (Art. 97 LIG). The 35% withholding under Article 74 LIG, which applies to distributions exceeding accumulated taxable profit, must also be reviewed. The sale of the Argentine subsidiary may be taxed in Argentina at up to 10% or 15%; in Spain, 95% exemption if Art. 21 is met.

The shareholder resident in Argentina

- **In Spain:** distributions out of exempt income are not taxed if the conditions of Article 108 are met. If they come from non-exempt income, Spain may withhold within the treaty limit: 10% or 15%. On a sale of the ETVE, Article 108.2.b keeps outside Spain the part corresponding to exempt reserves and gains on qualifying subsidiaries.
- **In Argentina:** the ETVE's dividend is in principle foreign-source (Art. 137 LIG). An individual is taxed on the progressive scale of Article 94, from 5% to 35%; a company includes it in its profit.

THE SPECIFIC POINT

Argentine CFC rules (Art. 130 LIG)

If the Argentine shareholder controls the ETVE (generally at least 50%, with alternative routes and family aggregation up to the third degree), and the ETVE lacks its own means, has passive income of at least 50% or other income deductible in Argentina for related parties, and its effective tax is below 75% of the Argentine tax on that income, the shareholder may have to include the ETVE's profits even if they are not distributed.

What we review in an Argentine case

- [ ] Who controls the ETVE and where each shareholder lives: Argentine CFC treatment depends on it.
- [ ] The composition of the ETVE's income and the 75% calculation, to know what would be included and what credit can be claimed.
- [ ] The 7% domestic withholding and any Article 74 withholding on profits from old years, in addition to the treaty limits.
- [ ] Beneficial ownership and principal purpose: documented business reason, decisions in Spain and funds that are not automatically passed on.
- [ ] Personal assets tax and the exchange control rules in force for remitting dividends.
- [ ] The 1992 APPRI, if the investment is significant or the sector is regulated.

Full profile: dechampsabogados.com/en/etve/countries/argentina/

Brazil

Tax treaty in force | MLI · does not modify it | APPRI not in force | 10% withholding since 2026

IN SHORT

- Tax treaty signed in Brasília on 14 November 1974 and in force since 3 December 1975, with no amending protocol.
- Dividends from the Brazilian subsidiary: general domestic withholding of 10% since 2026 (Lei 15.270/2025); the tax treaty sets a maximum of 15%, or 10% with at least 25% of the voting capital.
- JCP: interest for treaty purposes (Art. 11, maximum 15%); Brazilian domestic withholding of 17.5% and no Art. 21 LIS exemption if they were a deductible expense in the subsidiary.
- There is no Spain-Brazil APPRI in force, and Brazil is not on Spain's list of non-cooperative jurisdictions.

Key facts

Tax treaty	Signed on 14/11/1974, in force since 03/12/1975
MLI	Brazil has signed it, but there is no record that it modifies the treaty with Spain
APPRI	Signed, not in force
Dividends (Art. 10.2)	General maximum of 15%; 10% with at least 25% of the voting capital
JCP (Art. 11)	They are interest: maximum 15%
Capital gains (Art. 13.3)	May be taxed in both States

The Brazilian subsidiary of an ETVE

- **Withholding since 2026.** Dividends paid or remitted abroad are taxed at 10% from 1 January 2026, with no minimum amount (Lei 15.270/2025). A transitional regime covers profits up to 2025 whose distribution was approved by 31/12/2025, is enforceable under civil or commercial law and is carried out as approved.
- **Credit for the non-resident.** The same law provides for a conditional credit (Art. 10-A of Lei 9.249/1995) whose requirements must be checked in Brazil before relying on it.
- **In Spain.** The exemption in Art. 23.3 of the tax treaty must be analysed first and, as a domestic alternative, Art. 21 LIS.

The shareholder resident in Brazil

- **In Spain:** dividends out of exempt income are not treated as obtained in Spain (Art. 108 LIS). Those out of other income bear withholding under Art. 10 of the tax treaty. On a sale of the ETVE, Art. 13.3 allows taxation in both States: protection comes from Art. 108.2.b LIS, not from the treaty.
- **In Brazil, corporate shareholder:** Brazilian law includes, under its own methodology, the profits of foreign controlled companies (Lei 12.973/2014), with credits subject to conditions and limits.
- **In Brazil, individual shareholder:** may be taxed at 15% a year on controlled companies in favoured jurisdictions or regimes or with own active income below 60% (Lei 14.754/2023).

THE SPECIFIC POINT

The Brazilian lists

The Receita Federal publishes two lists in IN RFB 1.037/2010: favoured tax jurisdictions and privileged tax regimes. That instruction included the ETVE regime. To know whether the reference has effect today, the consolidated version, the suspending act and any later act must be checked.

What we review in a Brazilian case

- [ ] Residence and type of shareholder: Brazilian company or individual (favoured jurisdiction or regime, active income, control and transparency election).
- [ ] The subsidiary's distribution: 10% withholding (unless the transitional regime for profits up to 2025 approved in time applies), the possible Art. 10-A credit and whether JCP or dividends are preferable.
- [ ] Exemption in Spain: Art. 23.3 of the tax treaty versus Art. 21 LIS.
- [ ] A 25% voting holding if the treaty's 10% is sought, and 5% for one year for Art. 21 LIS.
- [ ] The ETVE's status under IN RFB 1.037/2010 at the date of the transaction.
- [ ] Substance and place of management in Spain, and coordination with the Brazilian adviser.

Full profile: dechampsabogados.com/en/etve/countries/brazil/

Canada

Tax treaty in force | MLI · from 2023 | Art. XXVIII.3 | FAPI and surplus

IN SHORT

- Tax treaty signed in Ottawa on 23 November 1976 (BOE of 6 February 1981), amended by the 2014 Protocol (in force since 12 December 2015) and by the MLI, with effect from 1 January 2023.
- Dividends: a maximum of 15%; 5% with a direct holding of at least 10% for 365 days (Art. 8 MLI).
- Art. XXVIII.3: the treaty does not apply to a company with non-resident beneficial owners if its tax is substantially lower than it would be if all of them were individuals resident in its State. It is not an automatic exclusion of the ETVE.
- Canadian shareholder: ordinary dividends the ETVE receives from another foreign affiliate of the same taxpayer fall outside FAPI (element A(b) of s. 95(1)), subject to anti-hybrid conditions.

Key facts

Tax treaty	Signed on 23/11/1976; 2014 Protocol in force since 12/12/2015
MLI	Yes · from 01/01/2023
APPRI	Not covered in this guide
Dividends (Art. X)	15%; 5% with at least 10% held directly for 365 days
Wealth tax (Art. XXII.4)	Shareholdings taxable only in the State of residence

The Canadian subsidiary: subject to conditions

Art. XXVIII.3 must be checked case by case. An ETVE controlled by a family that does not live in Spain has non-resident beneficial owners. But the comparison is not with the general rate: it is with the tax the ETVE would pay if all its beneficial owners were individuals resident in Spain. Since the Art. 21 LIS exemption applies in the same way with resident shareholders, the 1.25% is not enough to exclude it; we are not aware of any official guidance settling this case.

If the treaty did not apply, Canada would withhold 25% (s. 212(2) of its Act). The MLI principal purpose test also applies.

The shareholder resident in Canada

- **In Spain:** no withholding tax under Art. 108 LIS on distributions out of exempt income; Canada is not a non-cooperative jurisdiction. Under Art. XXII.4 of the treaty, the shareholdings are taxable only in the State of residence, so there is no Spanish wealth tax on them.
- **In Canada:** a Canadian corporation claims the s. 113 deduction according to the surplus the ETVE dividend is paid out of (exempt, taxable, hybrid or pre-acquisition); an individual includes the dividend and examines the foreign tax credit (s. 126). The T1134 information return, its requirements and exceptions, and its deadline must also be checked.

THE SPECIFIC POINT

FAPI and exempt surplus

Ordinary dividends between foreign affiliates of the same taxpayer fall outside FAPI under element A(b), subject to anti-hybrid conditions, but not the ETVE's other passive income or FAPI from indirect affiliates. Exempt surplus does not follow automatically from the ETVE regime or from the subsidiaries being in Latin America: it depends on the type of profit, the residence and activity of each affiliate and the movements between surplus accounts (Regulations ss. 5901 and 5907).

What we review in a Canadian case

- [ ] Type of shareholder: corporation (s. 113 and surplus) or individual (inclusion and foreign tax credit).
- [ ] The chain of foreign affiliates: direct and indirect, controlled or not, and the 1% and 10% thresholds.
- [ ] The ETVE's income other than dividends, such as group financing, and its FAPI treatment.
- [ ] The surplus accounts of each subsidiary, with the Canadian adviser.
- [ ] Any Canadian subsidiary of the ETVE: the Art. XXVIII.3 comparison and the 25% domestic withholding.
- [ ] Substance in Spain and the principal purpose test.

Full profile: dechampsabogados.com/en/etve/countries/canada/

Chile

Tax treaty in force | MLI · from 2023 | APPRI in force | Art. 41 G LIR

IN SHORT

- Tax treaty signed on 7 July 2003, in force since 23 December 2003 and modified by the MLI with effect from 1 January 2023.
- Limits of 5% or 10% for dividends, which do not restrict the Chilean additional tax as long as first-category tax is creditable under the treaty's conditions. The effective integrated burden must be calculated.
- First-category tax of 27% under the general regime for 2026, with a gradual reduction provided for by Law 21.850.
- Art. 41 G LIR (amended by Law 21.713, from 2025) may attribute the ETVE's passive income to a Chilean shareholder who controls it, subject to exclusions.

Key facts

Tax treaty	Signed on 07/07/2003, in force since 23/12/2003; no amending protocols
MLI	Yes · from 01/01/2023
APPRI	In force since 29/03/1994
Dividends (Art. 10)	5% or 10%, depending on the beneficiary and the holding

The Chilean subsidiary of an ETVE

A dividend paid to a non-resident bears additional tax of 35% (Art. 58 no. 2 LIR), against which the first-category tax paid by the subsidiary is credited (Art. 63 LIR). In general terms, the total Chilean burden on distributed profit thus tends towards 35%, but the effective integrated burden should be calculated in each case. That is why the treaty's 5% limit carries little weight as long as first-category tax is creditable against the additional tax.

In Spain, the dividend may qualify for the 95% exemption if the 5% and the one-year holding period are met: there is a tax treaty with exchange of information and first-category tax far exceeds the 10% nominal rate.

The shareholder resident in Chile

- **In Spain:** dividends out of exempt income are not treated as obtained in Spain (Art. 108 LIS); Chile is not on the list of non-cooperative jurisdictions. Those out of other income are taxed within the limits of Art. 10: 5% for a Chilean company that is the beneficial owner with at least 20% and 10% in other cases, for example an individual.
- **In Chile:** those dividends may be taxed and, under its CFC rules, the shareholder may be taxed on the underlying income before distribution.

THE SPECIFIC POINT

Art. 41 G LIR

This is the Chilean controlled foreign entity regime. It requires the Chilean controller to recognise, at each year-end, the passive income of the controlled entity in proportion to its holding, even if it is not distributed. A dividend from a subsidiary controlled by the ETVE whose main activity is not earning passive income is not passive income. Spain is not a «preferential tax regime» for the purposes of Art. 41 H, which requires both the absence of a treaty with exchange of information and failure to meet transparency standards.

US investors with subsidiaries in Chile. The tax treaty between the United States and Chile has had general effect since 1 January 2024: a US investor generally no longer needs an intermediate holding company to have treaty access to Chile.

What we review in a Chilean case

- [ ] Art. 41 G: whether there is control, what passive income the ETVE will have and whether any exclusion applies, subsidiary by subsidiary.
- [ ] The real cost of the Chilean dividend: additional tax, first-category credit and a comparison between exemption and credit in Spain.
- [ ] Each shareholder's residence and whether any of them plans to move to Spain.
- [ ] Capital gains: percentage, holding period and treaty limits before selling a subsidiary or the ETVE itself, and the Chilean indirect transfer rules.
- [ ] Principal purpose test: documented business reasons and the ETVE's tax residence certificate.

Full profile: dechampsabogados.com/en/etve/countries/chile/

Colombia

Tax treaty in force | MLI · does not modify it | APPRI in force | ECE regime

IN SHORT

- Tax treaty signed on 31/03/2005, in force since 23/10/2008. As at 12/11/2026, the MLI does not yet modify it.
- Dividends from Colombia to the ETVE: limit of 0% if it is a company that is the beneficial owner with at least 20%, direct or indirect; 5% otherwise (Art. 10.2). Profits not taxed in the subsidiary require Protocol point VI to be reviewed.
- The sale of the Colombian subsidiary is taxed only in Spain, except for companies deriving more than 50% of their value from immovable property in Colombia (Art. 13).
- The Colombian shareholder is taxed on the dividend in Colombia and, if within the ECE regime, may have to include passive income earlier (Arts 882-893 ET).

Key facts

Tax treaty	Signed on 31/03/2005, in force since 23/10/2008 (BOE of 28/10/2008)
MLI	Does not modify it: Colombia has not deposited its ratification
APPRI	The 2005 agreement, in force since 22/09/2007; the one signed in 2021 is not recorded as in force
Dividends (Art. 10.2)	0% with at least 20%; 5% otherwise

The Colombian subsidiary of an ETVE

If the ETVE is the beneficial owner and holds at least 20% of the Colombian subsidiary, the tax treaty limits Colombian withholding on the dividend to 0%. In Spain, that dividend may be taxed at an effective 1.25%, with the 95% exemption of Article 21 LIS at the general rate of 25%.

The small print of the Protocol. If the profits were not taxed in the subsidiary, paragraph 1 of Art. 245 of the Tax Code taxes the component that cannot be distributed tax-free, and Protocol point VI sets its own rules. The result depends on the origin of the profit and must be checked for each distribution.

The shareholder resident in Colombia

- **In Spain:** a distribution to a shareholder resident in Colombia with no permanent establishment in Spain falls outside IRNR if it meets Art. 108.1.c LIS. If it comes from non-exempt income, the general 19% IRNR rate is limited by the treaty to 5%, or 0% if the shareholder is a company that is the beneficial owner of the dividend and holds at least 20% of the ETVE.
- **In Colombia:** the dividend is taxed there, with a credit for foreign taxes under Art. 254 ET.

THE SPECIFIC POINT

The controlled foreign entities regime (ECE)

If the Colombian shareholder is within the ECE regime (Arts 882-893 ET), it may have to include the ETVE's passive income before distribution. Control, the 10%, passive income, the exceptions and the 80% presumptions are analysed.

What we review in a Colombian case

- [ ] Percentage and beneficial ownership: direct or indirect ownership and the nature of the profits distributed; a dividend may require both the 20% and Protocol VI to be reviewed.
- [ ] Origin of the profits distributed: whether they were taxed in the Colombian subsidiary.
- [ ] Each shareholder's ECE position, with the Colombian adviser, before contributing the shares.
- [ ] Substance and place of management: that decisions are taken in Spain, to prove beneficial ownership and prevent Colombia from treating the ETVE as resident.
- [ ] Immovable property: whether any subsidiary derives more than 50% of its value from property in Colombia.

Full profile: dechampsabogados.com/en/etve/countries/colombia/

Costa Rica

Tax treaty in force | MLI · from 2023 | APPRI in force | Territorial income tax

IN SHORT

- Tax treaty signed on 4 March 2004, in force on 15 December 2010 and effective from 1 January 2011; the Multilateral Convention modifies it from 1 January 2023.
- Dividends from the subsidiary to the ETVE: limit of 5% if it is the beneficial owner with at least 20% directly for 365 days that include the payment; 12% otherwise. The most-favoured-nation clause may improve those limits.
- The sale of the Costa Rican subsidiary may in principle be taxed only by Spain, unless in the preceding 365 days more than 50% of its value derived from immovable property in Costa Rica.
- An individual shareholder resident in Costa Rica is, in principle, not taxed there on the ETVE's dividend, as it is foreign-source income.

Key facts

Tax treaty	Signed on 04/03/2004, in force on 15/12/2010, effective from 01/01/2011
MLI	Yes · from 01/01/2023
APPRI	In force since 09/06/1999
Dividends (Art. 10)	5% with at least 20% held directly for 365 days; 12% otherwise

Why Costa Rica fits well. It is one of the countries the firm works with most. It has been an OECD member since 2021 and is not on Spain's list of non-cooperative jurisdictions.

The Costa Rican subsidiary of an ETVE

For the 5%, the ETVE must be the beneficial owner and directly hold at least 20% of the capital for a period of 365 days that includes the day of payment (Art. 8 MLI). Otherwise, the limit is 12%. In Spain, the dividend may qualify for the 95% exemption if the 5% and the one-year holding period are met. With a gross dividend of €1,000,000 subject to the 5% rate, withholding at source will be at most €50,000 (€120,000 at 12%).

The shareholder resident in Costa Rica

- **In Spain:** dividends out of exempt income are not treated as obtained in Spain (Art. 108 LIS); Costa Rica is not a non-cooperative jurisdiction, so there is no Spanish withholding tax. Dividends out of other income are taxed within the treaty's 12% limit (5% if the shareholder is a company meeting Art. 10.2.a).
- **In Costa Rica: territorial income tax.** The Income Tax Law (Law 7092) taxes income «from Costa Rican sources» (Art. 1). A dividend from a Spanish company is foreign income: an individual shareholder is, in principle, not taxed there on it.

THE SPECIFIC POINT

A corporate shareholder belonging to a multinational group

If the Costa Rican shareholder is a company in a multinational group subject to Law 10.381, its substance in Costa Rica must be reviewed separately: if it is not a qualifying entity, Law 10.381 taxes the ETVE dividend.

What we review in a Costa Rican case

- [ ] Holding and period: 20% directly and 365 days for the 5% in Costa Rica; 5% and one year for the Spanish exemption.
- [ ] Beneficial ownership and PPT: that the ETVE decides and manages from Spain and that there are documented business reasons.
- [ ] Costa Rican shareholder: whether an individual or a company in a multinational group subject to Law 10.381.
- [ ] Immovable property: whether the subsidiary or the ETVE itself derives most of its value from real estate.
- [ ] Future exit: the effect of the Protocol if the Costa Rican shareholder sells the ETVE, and the most-favoured-nation clause.
- [ ] Coordination with the Costa Rican adviser: information and substance returns.

Full profile: dechampsabogados.com/en/etve/countries/costa-rica/

Dominican Republic

Tax treaty in force | No MLI | APPRI in force | 0% with 75% held directly

IN SHORT

- Tax treaty signed on 16/11/2011, published in the BOE on 02/07/2014 and in force since 25/07/2014.
- Dividends from the Dominican subsidiary: 0% if the ETVE is the beneficial owner and directly holds at least 75%; a maximum of 10% in other cases.
- The sale of the subsidiary by the ETVE is taxed only in Spain, unless more than 40% of its value derives from Dominican immovable property (Art. 14).
- The Multilateral Convention does not modify this treaty, but the Protocol already includes its own anti-abuse clause.

Key facts

Tax treaty	Signed on 16/11/2011, in force since 25/07/2014
MLI	No: not listed in the MLI
APPRI	In force since 07/10/1996
Dividends (Art. 10.2)	0% with at least 75% held directly; 10% maximum otherwise
Interest / royalties	10%

The Dominican subsidiary of an ETVE

Art. 308 of the Tax Code sets, as a domestic rule, a 10% withholding. The tax treaty may exclude source taxation where the beneficial owner is a company holding at least 75% directly, provided the Protocol's anti-abuse clause does not prevent it. To apply the treaty, the subsidiary will ask for the ETVE's tax residence certificate.

In Spain, the dividend may qualify for the 95% exemption under Art. 21 if the 5% and the one year are met. It must be reviewed whether the subsidiary enjoys free zones, transitional rates or other incentives that may affect the minimum taxation requirement.

The shareholder resident in the Dominican Republic

- **In Spain:** distributions that meet Art. 108.1.c LIS fall outside IRNR. The Dominican Republic is not on Spain's list of non-cooperative jurisdictions (Dominica, which left it in 2026, is a different country).
- **In the Dominican Republic:** the law taxes residents on their Dominican income and on foreign income from investments and financial gains, which includes dividends. The foreign dividend forms part of gross income and is not taxed at the final 10% rate: individuals, progressive scale with a top bracket of 25%; companies, general rate of 27%, with a credit for tax paid abroad; whether Law 30-26 changes them must be checked each year.

THE SPECIFIC POINT

New residents and the treaty exemption

The foreign income of new residents is taxed from the third year of residence (Art. 271). Art. 22.2.a of the treaty also provides for a Dominican exemption for income that may be taxed in Spain; its application to the shareholder is reviewed case by case.

What we review in a Dominican case

- [ ] Direct holding in the subsidiary: whether the 75% that removes withholding is reached, in addition to the 5% and the year of Art. 21.
- [ ] Beneficial ownership and substance: decisions and resources in Spain, provable to the subsidiary and the DGII.
- [ ] The subsidiary's regime: free zones, transitional rates or other incentives.
- [ ] Immovable property: whether more than 40% of the value of the subsidiary or of the ETVE derives from real estate.
- [ ] Taxation of the shareholder: Art. 22.2.a of the treaty, year of residence, rate and applicable credit.

Full profile: dechampsabogados.com/en/etve/countries/dominican-republic/

Ecuador

Tax treaty in force | No MLI | APPRI terminated | Controlled foreign company

IN SHORT

- Tax treaty signed in Quito on 20/05/1991, in force since 19/04/1993 and with no later protocols.
- Dividends from the Ecuadorian subsidiary: maximum of 15% in Ecuador for the beneficial owner (Art. 10.2), with no reduced rate for the size of the holding.
- Capital gain on the sale of the subsidiary: taxed only in the seller's country of residence (Art. 13.4).
- The APPRI ended on 18/06/2022 after Ecuador's notice of termination; its survival clause protects earlier investments that meet the treaty for ten years.

Key facts

Tax treaty	Signed on 20/05/1991, in force since 19/04/1993; applicable from 01/01/1994
MLI	No: Ecuador is not a signatory
APPRI	Terminated (2017, effective 2022); protection of investments made before the notice of termination (18/05/2017) until 2032
Dividends (Art. 10.2)	Maximum of 15%, with no reduced rate by holding or period
Capital gains (Art. 13.4)	Only in the seller's country of residence

The Ecuadorian subsidiary of an ETVE

In Ecuador, the tax on the dividend may not exceed the treaty's 15% if the ETVE is the beneficial owner and proves the requirements. The actual withholding is determined under Article 39.2 LRTI in force at the date of distribution, as amended by the 2025 Organic Law on Social Transparency. In Spain, the dividend may be 95% exempt if the requirements of Article 21 LIS are met.

If the ETVE sells the Ecuadorian subsidiary, the gain is taxed only in Spain (Art. 13.4 of the treaty), even though Ecuadorian law taxes the direct or indirect sale of shares by non-residents. In Spain it may be 95% exempt. The Spanish tax residence certificate and the documents required by the SRI should be gathered in advance.

The shareholder resident in Ecuador

- **In Spain:** no withholding applies to profits from exempt income, provided the shareholder has no permanent establishment in Spain; Ecuador is not a non-cooperative jurisdiction. Other dividends are taxed in Spain within the treaty's 15% limit.
- **In Ecuador:** foreign dividends of residents are analysed under Article 49 LRTI and the recipient's applicable regime, checking which foreign tax is creditable and within what limit.

THE SPECIFIC POINT

The controlled foreign company (since 2024)

For the Ecuadorian shareholder this is the decisive point. The ETVE may be a controlled foreign company (LRTI, Arts 51.1-51.7) if two conditions are met at the same time: an ultimate beneficiary resident in Ecuador with a holding or control of at least 25%, aggregating related parties, and an effective rate below 60% of the Ecuadorian rate. An ETVE whose income is 95% exempt dividends is usually taxed in Spain below that threshold.

What we review in an Ecuadorian case

- [ ] The shareholder and the CFC regime: residence, holding or control, the effective taxation test of Article 51.1 LRTI and the income that would be attributed each year.
- [ ] The Ecuadorian subsidiary: withholding under Article 39.2 LRTI, the 15% limit and proof of beneficial ownership.
- [ ] The currency outflow tax (ISD): whether the transaction meets the exemption in Article 159.5; if not, the general rate of 5%.
- [ ] Substance in Spain and the date of each investment, given the residual protection of the APPRI.

Full profile: dechampsabogados.com/en/etve/countries/ecuador/

Mexico

Tax treaty in force | MLI · withholding taxes from 2024 | APPRI in force | REFIPRE

IN SHORT

- Spain-Mexico tax treaty of 1992, amended by the 2015 Protocol and, from 2024-2025, by the Multilateral Convention (MLI).
- Dividends from the Mexican subsidiary: maximum of 10% if the beneficial owner is resident in Spain; 0% for a company that is the beneficial owner with 10% held directly for 365 days that include the payment.
- Mexico generally applies corporate income tax (ISR) of 30% to companies.
- The tax treaty expressly allows Mexico to apply its REFIPRE regime: income benefiting from low taxation in Spain may be taxed in Mexico.

Key facts

Tax treaty	Signed on 24/07/1992, in force since 06/10/1994; Protocol signed on 17/12/2015, in force since 27/09/2017
MLI	Yes · withholding taxes from 01/01/2024
APPRI	In force since 03/04/2008
Dividends (Art. 10.2)	10% maximum; 0% with 10% held directly for 365 days

The Mexican subsidiary of an ETVE

Mexican domestic withholding on dividends to non-residents is 10% (Art. 164 LISR); the treaty reduces it to zero in the cases of Art. 10.2. That withholding is different from the ISR the subsidiary itself pays when it distributes dividends not paid out of its net taxable profit account (CUFIN): the treaty can bring the withholding to zero without removing that other cost.

The treaty threshold (10%) is higher than that of Art. 21 LIS (5%). With a holding of between 5% and 10%, the ETVE may have the Spanish exemption but not the treaty's 0%.

Residence. A company whose principal business administration or place of effective management is in Mexico is resident there (Art. 9, section II, CFF). Another reason to take decisions in Spain.

The shareholder resident in Mexico

- **In Spain:** dividends out of exempt income are not treated as obtained in Spain (Art. 108.1.c LIS); Mexico is not on the list of non-cooperative jurisdictions. Those out of other income are taxed at 19%, within the limits of Art. 10 of the treaty: 0% for a Mexican company that is the beneficial owner with 10% held directly for 365 days and a maximum of 10% in other cases.
- **In Mexico:** each shareholder's liability on the dividend, any earlier inclusion under REFIPRE and the additional 10% for individuals where applicable must be checked.

THE SPECIFIC POINT

REFIPRE

This is the Mexican controlled foreign entities regime (LISR, Title VI, Arts 176 to 178). If it applies, the Mexican shareholder is taxed on the ETVE's income in the year the ETVE obtains it, even if it is not distributed. Control is examined (votes, value, economic rights and decision-making powers, aggregating related persons), as is the 75% test: whether the income is taxed at less than 75% of Mexican ISR. The business activity exception does not apply if passive income exceeds 20%, or if more than 50% of the income is Mexican-source or was deducted in Mexico.

What we review in a Mexican case

- [ ] REFIPRE: whether there is control, what income the ETVE will obtain and what Mexican ISR would arise on it; and the February information return.
- [ ] Each shareholder's tax residence. If an individual moves to Spain after having been resident in Mexico for at least five years, Art. 13.9 of the treaty may preserve Mexico's right to tax the gain on their shares.
- [ ] Art. 10 withholding: beneficial ownership, 10% held directly, 365 days, residence certificate and the local procedure to apply the 0%.
- [ ] Capital gains: Mexican law (Art. 161 LISR) before the treaty limit.

Full profile: dechampsabogados.com/en/etve/countries/mexico/

Panama

Tax treaty in force | MLI · from 2023 | APPRI in force | Protocol IV and VII.2

IN SHORT

- Tax treaty signed on 07/10/2010 and in force since 25/07/2011. The Multilateral Convention has had effect on it since 01/01/2023 and adds its anti-abuse clause.
- Dividends from the Panamanian subsidiary: limits of 10%, 5% with 40% held directly and 0% with 80% held directly and one of the conditions of Art. 10.3.
- Protocol point IV excludes certain payments by Panamanian entities where the conditions on origin and on exemption or non-taxation in Panama are met.
- A Panamanian holding company that is a shareholder of the ETVE must review Law 526 of 2026 and Executive Decree 32 of 2026, which apply from the 2027 tax period.

Key facts

Tax treaty	Signed on 07/10/2010, in force since 25/07/2011
MLI	Yes · from 01/01/2023
APPRI	In force since 31/07/1998
Dividends (Art. 10)	10%; 5% with 40% held directly; 0% with 80% and one condition of Art. 10.3
Lists	Not on Spain's list of non-cooperative jurisdictions; on Annex II of the EU list

The Panamanian subsidiary of an ETVE

The tax treaty limits Panamanian withholding, but does not reach certain payments made out of income that Panama does not tax. Protocol point IV excludes Arts 10 to 13 where two conditions are met at the same time: the Panamanian entity pays out of income obtained in Spain or in a country with no tax treaty with Spain, and that income has been exempt or not subject to tax in Panama. If only one of them is met, the exclusion does not operate.

It must also be reviewed how the Panamanian territorial system affects the minimum taxation test of Art. 21 and, if the Panamanian subsidiary is itself a holding company, the taxation of each operating subsidiary or whether to move it to Spain.

The shareholder resident in Panama

- **In Spain:** no withholding on dividends from exempt income where the conditions of Art. 108 LIS are met. Panama is not on Spain's list of non-cooperative jurisdictions, and the rule does not require a tax treaty.
- **In Panama:** foreign-source dividends are in principle not taxed. The new point to review is Law 526 of 2026, on foreign passive income and substance, if the Panamanian holding shareholder belongs to a multinational group.

THE SPECIFIC POINT

Corporations, foundations and trusts as shareholders

The Protocol (VII.2) excludes Arts 6 to 22 of the treaty for trusts, private interest foundations and non-governmental organisations, with an exception for private interest foundations where there is information on the beneficiaries and the income. A shareholder excluded from the treaty may lose its limits on non-exempt income and on a sale. Apart from tax, the ETVE and its bank must identify the ultimate beneficial owner of each shareholder.

Spain's list and the EU list. They are different lists. For LIS purposes, Spain's list counts (Order HFP/115/2023, amended by Order HAC/649/2026), and Panama is not on it.

What we review in a Panamanian case

- [ ] Where each Panamanian subsidiary's income comes from and whether the two conditions of Protocol point IV are met at the same time.
- [ ] The percentages and conditions of Art. 10: 40% or 80% held directly and beneficial ownership.
- [ ] Who the shareholder is: individual, corporation, private interest foundation or trust; its residence and its beneficial owner.
- [ ] Law 526 of 2026 and Executive Decree 32 of 2026 (from the 2027 tax period), if the holding shareholder belongs to a multinational group.
- [ ] Whether it makes sense to move the Panamanian holding company to Spain (see the case studies on the website).

Full profile: dechampsabogados.com/en/etve/countries/panama/

Peru

No tax treaty in force | MLI · not applicable | APPRI in force | 5% withholding

IN SHORT

- No tax treaty in force: Peruvian domestic law applies and there is no treaty presumption for the taxation requirement of Art. 21 LIS.
- The Peruvian subsidiary meets the 10% nominal test through its 29.5% rate (Art. 55 LIR); the dividend to the ETVE generally bears Peruvian withholding of 5% (Art. 56.e LIR).
- Without a treaty, Peru may tax the sale of the Peruvian subsidiary by the ETVE and, in certain cases, the indirect sale through the ETVE itself.
- The Peruvian shareholder is taxed on the ETVE's dividend as foreign-source income; CFC rules may attribute the ETVE's income to them even if it is not distributed.

Key facts

Tax treaty	No tax treaty in force. The text signed in 2006 did not enter into force
MLI	Not applicable: it only modifies existing treaties
APPRI	In force since 16/02/1996
Dividends	General domestic withholding of 5%, with no treaty cap

What the absence of a treaty means. Each country's domestic law applies. Until a new treaty enters into force, there are no treaty withholding limits or allocation rules on a sale. The Peruvian Ministry of Economy and Finance records new rounds of negotiation.

The Peruvian subsidiary of an ETVE

It meets the minimum taxation test of Art. 21 through the Peruvian rate, not through a treaty: companies domiciled in Peru are taxed at 29.5%. It should be checked that the subsidiary does not enjoy an incentive regime that leaves it exempt. In general, the dividend costs 5% in Peru and, if the exemption applies, 1.25% in Spain (case 1: total burden of 6.25%).

The shareholder resident in Peru

- **In Spain:** nothing, if the dividend comes from exempt foreign income and the conditions of Art. 108 LIS are met, which does not require a tax treaty with the shareholder's country. If the ETVE distributes other income, Spanish non-resident withholding applies with no treaty limit.
- **In Peru:** the dividend is taxed as foreign-source income, not at the 5% rate for Peruvian dividends. An individual adds it to their employment income and is taxed on the 8% to 30% scale.

THE SPECIFIC POINT

CFC rules (LIR, Arts 111 to 116-A)

If the Peruvian shareholders and their related parties control more than 50% of the ETVE, passive income taxed at 75% or less of the Peruvian tax may be attributed to the shareholder even if it is not distributed. Dividends from controlled subsidiaries are excluded, subject to requirements (Art. 114.1.b), and there is a minimum threshold (5 UIT or 20%).

What would change with a tax treaty. Foreseeably: an agreed maximum for withholding on dividends, an allocation rule for capital gains, a treaty route for the taxation requirement of Art. 21 and an anti-abuse clause. Until then, planning should be based on domestic law.

What we review in a Peruvian case

- [ ] Cost at source: 5% withholding with no cap, each subsidiary's tax regime and proof of the 29.5% for Art. 21.
- [ ] Exits: direct or indirect sale, with the certificate of recovery of invested capital requested in time.
- [ ] Control from Peru: the percentage of Peruvian shareholders and related parties, the type of income of the ETVE and the CFC thresholds.
- [ ] Shareholder profile: individual or company, and the conditions for the foreign tax credit.
- [ ] Circular structure: if the main subsidiary is Peruvian and so is the shareholder, what the ETVE adds.

Full profile: dechampsabogados.com/en/etve/countries/peru/

United States

Tax treaty and Protocol in force | No MLI | LOB clause (Art. 17)

IN SHORT

- Tax treaty of 22 February 1990 and Protocol of 14 January 2013, in force since 27 November 2019.
- Dividends: general limit of 15%; 5% with at least 10% of the voting power held directly; 0% under the corporate route of Art. 10.3, with at least 80% of the voting power, 12 months and the specified LOB routes.
- The limitation on benefits (LOB) clause in Art. 17 decides whether the ETVE can use the tax treaty; with Latin American shareholders it should be analysed shareholder by shareholder before investing.
- The United States has tax treaties with Chile, Mexico and Venezuela, but not with Argentina, Brazil, Colombia or Peru.

Key facts

Tax treaty	Signed on 22/02/1990; Protocol of 14/01/2013, in force since 27/11/2019
MLI	No: the United States is not a signatory
Dividends (Art. 10)	15% general; 5% with at least 10% of the voting power held directly; 0% with at least 80% of the voting power, 12 months and LOB
Capital gains (Art. 13)	Residual rule in favour of the seller's country, except real estate

The LOB clause: the gate an ETVE has to pass

An ETVE can only invoke the tax treaty if it is a «qualified person» under Art. 17 or fits one of its alternative routes: listed companies; ownership and base erosion (at least 50% of the voting power and value held by residents of the same State); derivative benefits (at least 95% of the voting power and value held by seven or fewer equivalent beneficiaries); and, in specific cases, active business, multinational group headquarters or a grant by the US competent authority. Being resident in Spain is not enough.

The US subsidiary of an ETVE

In Spain, the dividend may qualify under Art. 21 LIS if the requirements are met. If the ETVE sells the subsidiary, the residual rule in Art. 13 gives taxing rights to Spain, except for specific rules such as that on companies holding US real property.

The shareholder resident in the United States

- **In Spain:** if the ETVE regime, the eligible origin of the dividend and the recipient's requirements are met, Art. 108 LIS may exclude its Spanish source; the United States is not a non-cooperative jurisdiction, but the US Virgin Islands, Guam, American Samoa and the Mariana Islands are. Dividends that do not meet those conditions generally bear 19% withholding, which Art. 10 of the treaty limits if the recipient is the beneficial owner and meets the LOB.
- **In the United States:** if the ETVE is a CFC, its qualifying US shareholders may be subject to Subpart F and NCTI (Public Law 119-21, tax years beginning from 2026). For those not covered by the CFC regime, the PFIC regime.

THE SPECIFIC POINT

The US investor entering Latin America

Subsidiary's country	Treaty with the US	Treaty with Spain
Chile	Yes, with general effect from 1 January 2024	Yes
Mexico	Yes	Yes
Venezuela	Yes	Yes
Argentina, Brazil, Colombia	No	**Yes**
Peru	No	Signed, not in force

An ETVE can access the benefits of Spanish tax treaties in countries where the United States has no treaty. For each flow, the treaty in force, the anti-abuse clause, beneficial ownership and the shareholder's US tax rules must be checked.

What we review in a US case

- [ ] Each shareholder's residence and the classification of the entity: individual, corporation, LLC or partnership, and whether the ETVE should be an S.L. or an S.A.
- [ ] Art. 17 of the treaty: which LOB route the ETVE meets, shareholder by shareholder.
- [ ] CFC and PFIC, with the US adviser.
- [ ] Real estate and permanent establishments in the United States or in Spain.
- [ ] Tax treaties with the Latin American countries of the subsidiaries: anti-abuse clauses and beneficial ownership.

Full profile: dechampsabogados.com/en/etve/countries/united-states/

Uruguay

Tax treaty in force | MLI · from 2023 | APPRI in force | Attribution of income from 2026

IN SHORT

- Tax treaty signed in Madrid on 9 October 2009, in force since 24 April 2011, effective from 1 January 2012, and modified by the MLI with effect from 1 January 2023.
- Dividends: limit of 5% for the beneficial owner; exemption with at least 75% held directly, which must be maintained for 365 days.
- The Uruguayan subsidiary may meet Art. 21 LIS through the tax treaty or through IRAE (25%).
- Individual shareholder: IRPF on foreign capital income and, from 2026, possible attribution of income of non-resident entities to the ultimate beneficiary.

Key facts

Tax treaty	Signed on 09/10/2009, in force since 24/04/2011, effective from 01/01/2012
MLI	Yes · withholding and other taxes from 01/01/2023
APPRI	In force since 06/05/1994 (date of the BOE)
Dividends (Art. 10)	5%; exemption with at least 75% held directly for 365 days

The Uruguayan subsidiary of an ETVE

Uruguayan IRNR generally provides for 7% on taxed dividends paid by IRAE taxpayers. The tax treaty may limit it to 5% or exclude taxation if its conditions are met: 75% held directly and its period, residence, beneficial ownership and the origin of the benefit. In Spain, if the requirements of Art. 21 LIS are met, the indicative cost is 1.25% at the general rate.

The subsidiary's special regimes (free zone or other IRAE exemptions) and the Protocol's exclusions must be reviewed separately.

The shareholder resident in Uruguay

- **In Spain:** dividends out of exempt income are not treated as obtained in Spain (Art. 108 LIS); Uruguay is not on the list of non-cooperative jurisdictions. Those out of other income: limit of 5% for the beneficial owner, or exemption for a Uruguayan company holding at least 75% directly for 365 days.
- **In Uruguay:** those dividends may be taxed and, from 2026, the shareholder may also be taxed, subject to conditions, on the underlying income before the ETVE distributes it.

THE SPECIFIC POINT

Attribution of income from 2026

Uruguayan IRPF provides for the attribution of foreign capital income (Law 20.446 and Decree 95/026) to an individual holding at least 5%, with no low-taxation test.

Is Spain a low- or no-tax country for Uruguay? It should not be. Art. 3 ter of Decree 150/007 requires two conditions at the same time: effective taxation below 12% and the absence of an agreement or treaty with exchange of information. The treaty with Spain includes one (Art. 25). The fact that the ETVE pays an effective 1.25% on foreign dividends does not, on its own, make it a low-tax regime under that test.

What we review in a Uruguayan case

- [ ] Attribution of income: whether the individual shareholders are ultimate beneficiaries and what income of the ETVE would be attributed to them each year.
- [ ] Uruguayan corporate shareholder: whether it belongs to a multinational group and whether it is a «qualified» entity.
- [ ] Holding and period in the Uruguayan subsidiary: 75% directly and 365 days for the treaty exemption; 5% and one year for Art. 21 LIS.
- [ ] Principal purpose test: documented business reasons and the ETVE's residence certificate.

Full profile: dechampsabogados.com/en/etve/countries/uruguay/

Venezuela

Tax treaty in force | No MLI | APPRI in force | Banks and sanctions

IN SHORT

- Tax treaty signed on 08/04/2003, published in the BOE of 15/06/2004 and in force since 29/04/2004, applicable to tax years beginning on or after 01/01/2005.
- Dividends from the Venezuelan subsidiary: possible exemption for a recipient whose capital is divided into shares and that holds at least 25%, subject to the Protocol's conditions; otherwise, a limit of 10% for the beneficial owner.
- The sale of the Venezuelan subsidiary by the ETVE is taxed only in Spain, except for companies whose assets are mainly real estate (Art. 13).
- The Multilateral Convention does not currently modify this treaty.

Key facts

Tax treaty	Signed on 08/04/2003, in force since 29/04/2004; tax years from 01/01/2005
MLI	No: Venezuela is not a party
APPRI	In force since 10/09/1997
Dividends (Art. 10.2)	Exemption with at least 25% and capital divided into shares; 10% otherwise

The Venezuelan subsidiary of an ETVE

The tax treaty sets the limits on source taxation. To calculate the actual withholding, the subsidiary should be asked for the reconciliation between accounting and taxable income, and the domestic rate confirmed, including the hydrocarbons and mining regimes where applicable. The minimum taxation requirement of Art. 21 may be met through the treaty with exchange of information, if applicable.

The ETVE's legal form matters. For the treaty exemption, the recipient must have its capital divided into shares: an S.A. meets this; for an S.L. it must be confirmed before relying on the exemption.

The shareholder resident in Venezuela

- **In Spain:** no tax if the dividend comes from exempt foreign income and the requirements of Art. 108 are met; Venezuela is not on the list of non-cooperative jurisdictions. If the ETVE distributes other income, the 19% withholding is limited by the treaty: 10% for the beneficial owner, or exemption if the shareholder is a company with capital divided into shares controlling at least 25%.
- **In Venezuela:** the rate on the dividend and the scope of its low-tax rules must be confirmed in the Venezuelan text in force.

THE SPECIFIC POINT

Banks, sanctions and documentation

- **Banks.** Spanish banks apply enhanced due diligence to clients and funds linked to Venezuela. Time and documents should be planned for: source of funds, the subsidiaries' accounts and apostilled residence certificates.
- **Sanctions.** The EU maintains restrictive measures concerning Venezuela, extended by Decision (CFSP) 2025/2586. Before incorporating the ETVE or accepting a shareholder, it must be checked that neither the shareholders nor the subsidiaries nor their directors are among the persons affected.
- **Residence certificate.** The Protocol requires a certificate stating expressly that the person is resident «for the purposes of the Convention».

What we review in a Venezuelan case

- [ ] The ETVE's form and holding: at least 25% for the treaty exemption; at least 5% and one year for Art. 21.
- [ ] Beneficial ownership and substance, provable to SENIAT.
- [ ] The ETVE's subsidiaries outside Venezuela, against Venezuelan low-tax rules.
- [ ] Taxation of the shareholder: rate in force, foreign tax credit and distribution timetable.
- [ ] Banks, sanctions and documentation: a source-of-funds file prepared in advance.

Full profile: dechampsabogados.com/en/etve/countries/venezuela/

Belgium

Tax treaty in force | MLI · from 2023 | No APPRI (EU law) | Protocol, point 2

IN SHORT

- Spain-Belgium tax treaty of 14 June 1995, in force since 25 June 2003; Protocols signed in 2009 and 2014, in force since 2018; modified by the MLI with effect from 2023.
- Dividends: a maximum of 15%; exemption with a 25% direct holding for 365 days, if domestic law allows it and the other requirements are met.
- Point 2 of the Protocol restricts certain reductions or exemptions if non-residents of the State of the recipient company hold more than 50% of its capital, unless it carries on substantial industrial or commercial activities other than merely holding or managing shares.
- Belgian shareholders: RDT deduction and the CFC regime of Art. 185/2 CIR 92 for companies; taxation of the dividend and the «taxe Caïman» for individuals.

Key facts

Tax treaty	Signed on 14/06/1995, in force since 25/06/2003; Protocols of 2009 and 2014, in force since 2018
MLI	Yes · from 01/01/2023
APPRI	None with the Belgium-Luxembourg Economic Union; EU law applies
Dividends (Art. 10.2)	15%; exemption with 25% held directly for 365 days, if domestic law allows it
Sale of the ETVE (Art. 13.5)	Spain may tax if the shareholder, alone or with associated or related persons, held at least 25% at any time in the preceding five years

The Belgian subsidiary of a Spanish ETVE

A Belgian subsidiary can distribute to the ETVE without withholding tax, if the conditions are met, by two routes: the tax treaty (a 25% direct holding, 365 days and Belgian law allowing the exemption, with the Protocol as a filter) or Directive 2011/96/EU (a minimum holding of 10%, any holding period the State requires and its own anti-abuse clause, which requires valid commercial reasons).

Belgium meets the minimum taxation requirement of Art. 21 through the treaty with exchange of information (Art. 26). If the ETVE sells the subsidiary, Belgium may tax the gain if the subsidiary is a real estate company (Art. 13.2) or if the seller, alone or with associated or related persons, held at least 25% of the profits or capital at any time in the previous five years (Art. 13.5), where Belgian law taxes it; otherwise it is taxed only in Spain (Art. 13.6). In Spain, the 95% exemption applies if its requirements are met.

The shareholder resident in Belgium

- **In Spain:** dividends out of exempt foreign income are not regarded as obtained in Spain (Art. 108 LIS); Belgium is not on the list of non-cooperative jurisdictions. Other dividends: treaty maximum of 15%, and the Art. 14.1.h TRLIRNR exemption for EU parents may apply. On a sale, the part protected by Art. 108.2.b has no Spanish source. For an individual, the treaty's wealth rules (Arts 22.2, 22.5 and 22.6) should also be checked, particularly for substantial holdings, followed by Spanish wealth tax and the ITSGF (Temporary Solidarity Tax on Large Fortunes), with their exemptions.
- **In Belgium:** a company may claim the RDT/DBI deduction (Arts 202-205 CIR 92), subject to its requirements (it excludes regimes «notably more advantageous» and examines intermediate companies that redistribute dividends); an individual is taxed on the dividend as income from movable capital and must analyse the new Belgian tax on capital gains on financial assets from 2026.

THE SPECIFIC POINT

CFC and «taxe Caïman»

Under the programme law of 22/12/2023, a Belgian company includes the undistributed profits of a foreign company it controls (majority of votes or at least 50% of capital or profits) if that company is not taxed or pays less than half the corporate tax it would pay in Belgium (Art. 185/2 CIR 92); the amount included is calculated under § 2, subject to the exceptions in § 4, such as substantive economic activity; control is assessed together with associated entities, and the hypothetical Belgian tax takes into account, where relevant, the dividends-received deduction (RDT/DBI). For individuals, the «taxe Caïman» can attribute the income of certain legal arrangements to their founder as defined for Belgian tax purposes: whether the ETVE falls within it, and the impact of judgment 117/2025 of the Belgian Constitutional Court, must be checked.

What we review in a Belgian case

- [ ] Who controls the ETVE: if more than 50% is held by non-residents of Spain, point 2 of the Protocol and its substantial activity exception.
- [ ] Type of shareholder: company (Art. 14.1.h TRLIRNR, RDT and Art. 185/2 CIR 92) or individual (taxe Caïman, dividends and capital gains).
- [ ] Percentages and periods: 25% and 365 days under the treaty; 10% under the Directive; 5% and one year in Spain; 25% within five years for a sale.
- [ ] Principal purpose test (Art. 7 MLI): documented economic reasons.
- [ ] Substance and place of management in Spain, for the treaty, the Directive and Belgian law.
- [ ] Coordination with the Belgian adviser before incorporation and before each distribution or sale.

Full profile: dechampsabogados.com/en/etve/countries/belgium/

France

Tax treaty in force | MLI · from 2023 | No APPRI (EU law) | Arts 209 B and 123 bis CGI

IN SHORT

- Spain-France tax treaty of 10 October 1995, in force since 1 July 1997 and modified by the MLI from 1 January 2023 (including the principal purpose clause).
- Dividends from a French subsidiary to the ETVE: 0% in France with a direct or indirect 10% holding for 365 days; otherwise, a maximum of 15%.
- French corporate shareholder: régime mère-fille and Art. 209 B CGI, with its safeguard for EU entities. Individual shareholder: as a general rule, PFU of 31.4% in 2026 (12.8% + 18.6%); Art. 123 bis CGI.
- Anyone moving to Spain must review the exit tax in Art. 167 bis CGI and, for succession, the 1963 convention, the pacte Dutreil and the Spanish family business relief.

Key facts

Tax treaty	Signed on 10/10/1995, in force since 01/07/1997
MLI	Yes · from 01/01/2023
APPRI	None; EU law applies
Dividends (Art. 10.2)	0% with 10% (direct or indirect) for 365 days; 15% otherwise
Sale of the subsidiary (Art. 13.2.a)	France may tax if the seller, alone or with family, held at least 25% of capital or profits, directly or indirectly, in the preceding twelve months

The French subsidiary of an ETVE

A French subsidiary can distribute to the ETVE without withholding tax under the treaty (beneficial owner, 10% direct or indirect, 365 days) or under the parent-subsidiary exemption of Art. 119 ter CGI (10% held directly for two years or with an undertaking to keep it; 5% if the conditions of Art. 145 CGI are met and the ETVE cannot credit the French withholding tax; with its anti-abuse clause). Without either, France withholds 25% from non-resident companies.

In Spain, the dividend qualifies for the 95% exemption (5% and one year): French corporate tax is 25% and the treaty provides for exchange of information (Art. 27). If the ETVE sells the subsidiary having held 25% or more in the preceding twelve months, or if it is a real estate company, the treaty allows France to tax the gain; whether it does depends on French domestic law.

The shareholder resident in France

- **In Spain:** dividends out of exempt foreign income are not regarded as obtained in Spain (Art. 108 LIS). Other dividends: 15% maximum, or exclusive taxation in France for a French company holding at least 10% directly for 365 days. On a sale, the part protected by Art. 108.2.b has no Spanish source; for the rest, check Art. 13.2 and the real estate rule. Spain may levy wealth tax on an individual for a substantial holding (at least 25% of the capital or profits, directly or indirectly, alone or with related persons; Art. 23.2) or for shares in a mainly real estate company (Art. 23.1.b): check the wealth tax and ITSGF exemptions.
- **In France:** a company may exclude the dividend under the régime mère-fille (5% and two years; generally a 5% add-back for deemed costs and expenses); an individual is taxed under the PFU of 31.4% in 2026 (12.8% income tax + 18.6% social levies) or opts for the progressive scale overall.

THE SPECIFIC POINT

Arts 209 B and 123 bis CGI

Art. 209 B may tax a French company holding, directly or indirectly, more than 50% (a lower threshold in some cases of collective holding) of a foreign entity under a privileged tax regime; Art. 123 bis may attribute to a French resident individual holding at least 10% the profits of a foreign entity under a privileged regime whose assets are mainly financial. Both have a safeguard for EU entities linked to the absence of an artificial arrangement: that is why the ETVE needs real substance in Spain.

What we review in a French case

- [ ] Type of shareholder: company (mère-fille, 209 B) or individual (PFU, 123 bis).
- [ ] Percentages and periods: 10% and 365 days under the treaty; 5% and two years in France; 5% and one year in Spain; 25% on a sale, and the real estate rule.
- [ ] Substance and place of management in Spain, to rule out an artificial arrangement.
- [ ] Documented economic reasons (Art. 7 MLI; Art. L. 64 LPF and Art. 205 A CGI).
- [ ] Change of residence: the exit tax of Art. 167 bis CGI and its timing; succession (1963 convention, Dutreil and the Spanish reduction).
- [ ] Coordination with the French adviser.

Full profile: dechampsabogados.com/en/etve/countries/france/

Netherlands

1971 tax treaty in force | Not modified by the MLI | No APPRI (EU law) | Box 2 · Art. 13 Wet Vpb

IN SHORT

- Tax treaty signed on 16 June 1971, in force since 20 September 1972. The new treaty, whose signature was authorised in March 2026, is not yet in force.
- Dutch dividends to the ETVE: treaty cap of 15% (5% if the recipient's capital is wholly or partly divided into shares and it holds at least 50%, or at least 25% where another Spanish company also holds at least 25%). Dutch law may exempt them if the holding meets its requirements and the anti-abuse clause.
- The Netherlands meets the minimum taxation requirement of Art. 21 LIS: corporate income tax of 19% and 25.8% and a tax treaty with exchange of information.
- BV shareholder: participation exemption (Art. 13 Wet Vpb), unless the holding is a portfolio investment participation that fails both tests. Individual with a substantial interest (generally 5%): box 2.

Key facts

Tax treaty	Signed on 16/06/1971, in force since 20/09/1972
MLI	No: the 1971 treaty is not modified by the MLI
APPRI	None known; EU law applies
Dividends (Art. 10)	15%; 5% with at least 50% (or 25% + 25% held by another Spanish company) and share capital; domestic exemption possible
Capital gains (Art. 14)	The sale of the BV is taxable only in Spain (Art. 14.4)

The Dutch subsidiary of a Spanish ETVE

If Dutch law's requirements are met and the structure is genuine, the BV's dividend can reach the ETVE without withholding tax (Art. 4.2 Wet DB 1965; ordinary rate 15%). The conditional withholding tax (Wet bronbelasting 2021) has also covered dividends since 2024, for related entities in low-tax States or on the EU list and for certain cases of abuse; Spain is not on the January 2026 Dutch list.

In Spain, the dividend and the gain on the sale of the BV may qualify for the 95% exemption in Art. 21 LIS, with a cost of about 1.25% at the general rate.

The shareholder resident in the Netherlands

- **In Spain:** the dividends the ETVE distributes out of exempt income are not taxed: the Netherlands is not a non-cooperative jurisdiction (Art. 108 LIS). Anything distributed out of other income bears Spanish withholding within the treaty limits; a BV holding at least 5% for one year will usually be entitled to the Art. 14.1.h TRLIRNR exemption.
- **In the Netherlands:** a BV applies the participation exemption if the ETVE is not a portfolio investment participation or passes one of the alternative tests; an individual with a substantial interest is taxed in box 2 (24.5% up to €68,843 and 31% above in 2026); otherwise box 3 applies.

THE SPECIFIC POINT

Portfolio investment participations and emigration

The ETVE's nominal 25% rate is not in itself enough to pass the subject-to-tax test (onderworpenheidstoets), and its effective 1.25% does not necessarily make it fail; an ETVE with operating subsidiaries usually passes the asset test. A Dutch shareholder who emigrates to Spain with a substantial interest may receive a protective assessment (conserverende aanslag) on the latent gain (after 15/09/2015, without the ten-year limit on the deferral); separately, Art. 14.5 of the treaty allows the Netherlands, subject to its conditions, to tax a sale of shares in a Dutch company within five years of emigration.

What we review in a Dutch case

- [ ] BV shareholder: classification of the holding and, if a portfolio investment participation, the tests in Art. 13.11 Wet Vpb, with a documented composition of the ETVE's assets.
- [ ] Individual shareholder: box 2 or box 3 and the rules in Arts 4.13 and 4.14 Wet IB 2001, with the Dutch adviser.
- [ ] Dutch subsidiary: the withholding tax exemption in Art. 4 Wet DB 1965, its anti-abuse clause and the economic reasons.
- [ ] Emigration: protective assessment, Art. 14.5 of the treaty and timing before moving to Spain.
- [ ] Substance of the ETVE in Spain, key for both tax administrations.
- [ ] New treaty: its entry into force and the effect of its principal purpose clause.

Full profile: dechampsabogados.com/en/etve/countries/netherlands/

Switzerland

Tax treaty in force | 2006 and 2011 Protocols | EU-Switzerland Agreement | No CFC rules

IN SHORT

- Tax treaty of 26 April 1966 (BOE of 3 March 1967), amended by the 2006 and 2011 Protocols; the latter in force since 24 August 2013.
- Dividends: a maximum of 15%; exemption with a direct holding of 10% for at least one year, if the paying company is subject to tax and not exempt, both are capital companies and neither is treated as resident in a third State under a tax treaty.
- 2006 Protocol, section II: restricts the exemption if the recipient company is majority-controlled by residents outside the two States and the EU, with three exceptions.
- Switzerland has no CFC rules (Federal Department of Finance, 24/05/2023). Spain does not tax the ETVE shareholding of a Swiss resident under its wealth tax (Art. 22.4).

Key facts

Tax treaty	Signed on 26/04/1966; Protocols of 2006 (in force since 01/06/2007) and 2011 (since 24/08/2013)
MLI	Not modified by the MLI
Alternative route	Art. 9 EU-Switzerland Agreement: 25% held directly for two years
Dividends (Art. 10.2)	15%; exemption with 10% held directly for one year
Wealth (Art. 22.4)	Shareholdings taxable only in the State of residence

The Swiss subsidiary of a Spanish ETVE

Switzerland withholds 35% on dividends. The treaty exemption has two filters for an ETVE controlled mainly by persons not resident in Spain, Switzerland or the EU: section II of the 2006 Protocol (one of its three exceptions must be shown, most naturally that the ETVE genuinely manages the subsidiary with adequate resources in Spain) and Swiss case law on treaty abuse (judgment 2C_354/2018), which looks at reserves existing before the holding company was interposed.

The exemption does not on its own avoid the withholding: the notification procedure must be authorised (Form 823B or 823C) and each distribution reported on Form 108 within 30 days of the dividend falling due; if the procedure does not apply, the 35% is withheld and a refund claimed (late filing may be fined but does not forfeit the procedure). In Spain, the Swiss dividend qualifies for the Art. 21 LIS exemption.

The shareholder resident in Switzerland

- **In Spain:** no withholding tax on the ETVE dividend paid out of exempt income (Art. 108 LIS), and no wealth tax on the ETVE shareholding (Art. 22.4 of the treaty).
- **In Switzerland:** a company applies the participation deduction (at federal level, 10% of the capital, 10% of the profits and reserves, or a market value of at least CHF 1 million; Arts 69 and 70 DBG); an individual is taxed on acquiring a firm right to the dividend, usually when the distribution is approved (at federal level, 70% of it with a holding of at least 10%, Art. 20.1 bis DBG) and declares the shares for cantonal wealth tax.

THE SPECIFIC POINT

ETVE or Swiss holding company

A Swiss holding company withholds 35% on its own dividends; the ETVE does not withhold on non-resident shareholders under Art. 108. For a shareholder resident in Switzerland that withholding is usually recoverable if the conditions are met, including tax reporting requirements, so the difference is mainly one of cash flow. For a shareholder resident elsewhere, the result after their treaty with Switzerland and the refund must be compared: the saving is not measured as 35 points.

What we review in a Swiss case

- [ ] Who controls the ETVE (section II of the 2006 Protocol) and how effective management of the Swiss subsidiary is evidenced.
- [ ] The 10% holding and one-year period, and that the paying company is subject to tax and not exempt; or 25% and two years under the EU-Switzerland Agreement.
- [ ] The Swiss notification procedure before the first payment.
- [ ] The subsidiary's reserves that existed before the ETVE was interposed, and the refund entitlement before and after.
- [ ] Type of shareholder: participation deduction for a company; partial taxation and cantonal wealth tax for an individual.
- [ ] Substance in Spain.

Full profile: dechampsabogados.com/en/etve/countries/switzerland/

United Kingdom

Tax treaty in force | MLI · from 2023 | Principal purpose test | Transfer of assets abroad

IN SHORT

- Spain-UK tax treaty signed in London on 14 March 2013 (BOE of 15 May 2014), in force since 12 June 2014 and modified by the MLI with effect from 1 January 2023.
- Dividends: exempt at source if the recipient company controls, directly or indirectly, at least 10% of the capital (except property income distributions of an investment vehicle); 10% otherwise and 15% for those distributions.
- UK corporate shareholder: the dividends received by the ETVE do not, in principle, give rise to income apportioned under the UK CFC rules (INTM248200); its other income is analysed separately.
- UK individual shareholder: the transfer of assets abroad rules and the 2025 repeal of the genuine transaction exemption make the structure inadvisable as a general rule; the four-year FIG regime may change the analysis for new residents.

Key facts

Tax treaty	Signed on 14/03/2013, in force since 12/06/2014
MLI	Yes · from 01/01/2023; Art. 7 replaces Art. 23.2
APPRI	Not covered in this guide
Dividends (Art. 10.2)	0% with 10% control; 10% otherwise; 15% for property income of investment vehicles
Wealth (Art. 21.5)	Ordinary shareholdings taxable only in the State of residence

The UK subsidiary of a Spanish ETVE

The UK subsidiary pays ordinary dividends to the ETVE without withholding tax: the treaty exempts them with 10% control, and the UK does not apply domestic withholding tax to ordinary dividends. Property income distributions of a REIT or PAIF are subject to UK withholding tax, capped at 15% under the treaty.

In Spain, the dividend qualifies for the Art. 21 LIS exemption: the UK has a treaty with exchange of information and its main corporation tax rate exceeds 10%. If the ETVE sells the subsidiary, the gain is, as a general rule, taxable only in Spain (Art. 13.6), unless the subsidiary is property-rich.

The shareholder resident in the United Kingdom

- **In Spain:** no withholding tax on the dividend paid out of exempt income if Art. 108 LIS is met; the UK is not a non-cooperative jurisdiction. Art. 21.5 of the treaty reserves ordinary shareholdings to the UK for wealth tax, subject to the exceptions for property-rich companies, rights to enjoy immovable property (Art. 21.4) and assets of a permanent establishment.
- **In the United Kingdom:** a UK company may be exempt on the ETVE dividend, subject to the conditions and anti-avoidance rules of CTA 2009, Part 9A (Art. 22.2.b of the treaty), and the CFC computation, made as if the ETVE were UK resident, excludes the exempt dividends it receives. Interest, intra-group financing and other income are reviewed separately.

THE SPECIFIC POINT

The individual shareholder

The transfer of assets abroad rules (ITA 2007, ss. 714 onwards) can attribute the ETVE's income to a UK-resident individual. Since 6 April 2025 the genuine transaction exemption no longer exists; the motive defence remains, with the burden of proof on the taxpayer. Individuals who become UK resident after ten consecutive tax years of non-residence may claim the FIG regime for their first four tax years. As a general rule, we do not recommend the ETVE for an individual resident in the UK without a specific analysis by their UK adviser.

What we review in a UK case

- [ ] Type of shareholder: company (CFC rules and distribution exemption) or individual (not recommended as a general rule).
- [ ] For an individual: transfer of assets abroad, the motive defence and the FIG regime, with the UK adviser.
- [ ] 10% control and documentation for the exemption at source.
- [ ] The ETVE's income other than dividends, for the CFC gateways.
- [ ] MLI principal purpose test: documented business reasons and substance in Spain.
- [ ] Coordination with the UK adviser before incorporation.

Full profile: dechampsabogados.com/en/etve/countries/united-kingdom/

Hong Kong

Tax treaty in force | MLI · own dates | 0% with 25% | FSIE regime

IN SHORT

- Tax treaty signed in Hong Kong on 1 April 2011 (BOE of 14 April 2012), in force since 13 April 2012 and modified by the MLI with its own effective dates (in Spain, withholding taxes from 01/01/2024).
- Dividends: 0% if the beneficial owner is a company with a direct holding of at least 25%; 10% otherwise. Art. 7 of the MLI replaces point 3 of the Protocol.
- Individual: Hong Kong does not tax dividends. Company outside a multinational group: territorial principle; foreign-sourced dividends are not taxed.
- Company in a multinational group: FSIE regime, with the participation exemption (at least 5% for the 12 months immediately before accrual and tax at an applicable rate of at least 15%) or the economic substance requirement.

Key facts

Tax treaty	Signed on 01/04/2011, in force since 13/04/2012
MLI	Spain: withholding from 01/01/2024, other taxes for periods from 23/09/2023; Hong Kong: withholding from 01/04/2023, other taxes from 01/04/2024 (years of assessment)
Wealth	No wealth article: Spanish law applies
Dividends (Art. 10.2)	0% with 25% held directly; 10% otherwise
Profits tax in Hong Kong	Qualifying companies: 8.25% on the first HKD 2 million of profits; 16.5% above

The Hong Kong subsidiary of a Spanish ETVE

Hong Kong does not withhold tax on dividends (Treasury Bureau), and the treaty also sets 0% for companies with a direct holding of at least 25%, with no holding period. For the ETVE, the minimum taxation requirement of Art. 21 LIS is treated as met if the treaty applies to the specific subsidiary; the other requirements are checked separately.

If the ETVE sells the subsidiary, the gain is taxable in the seller's country, subject to the rules for permanent establishments, rights to enjoy immovable property and unlisted shares deriving more than 50% of their value from immovable property (Art. 13).

The shareholder resident in Hong Kong

- **In Spain:** no withholding tax under Art. 108 LIS. The treaty has no wealth article: an individual shareholder is subject in Spain to the wealth tax and the ITSGF (Temporary Solidarity Tax on Large Fortunes) under Spanish law.
- **In Hong Kong:** an individual is not taxed on dividends from private investment and is not an MNE entity for FSIE purposes. A company outside a multinational group follows the territorial principle; a holding company that controls an ETVE may form part of a group under the consolidation rules.

THE SPECIFIC POINT

FSIE: nothing follows from the 1.25%

For a company in a multinational group, the foreign dividend is taxed if received in Hong Kong. The participation exemption takes into account taxation at up to four tiers below the payer, but IRD requires the amounts backing the dividend to be identified and rejects apportionment: nothing can be concluded automatically from the ETVE's 1.25%. If the test is not met, the dividend is taxed with the foreign tax credit actually available (Hong Kong's unilateral credit for underlying tax requires at least 10% of the payer when the dividend is distributed); the alternative is economic substance in Hong Kong.

What we review in a Hong Kong case

- [ ] Type of shareholder: individual, company outside a group or company in a multinational group.
- [ ] The group perimeter under the consolidation rules.
- [ ] FSIE: the 5% and 12 months, and the tax borne by the profits backing each dividend.
- [ ] Economic substance in Hong Kong in the year of accrual as an alternative; a loan to an investee loses the reduced test for pure equity-holding entities.
- [ ] Spanish wealth tax for an individual shareholder.
- [ ] Hong Kong subsidiary: the 25% direct holding; substance in Spain.

Full profile: dechampsabogados.com/en/etve/countries/hong-kong/

Qatar

Tax treaty in force | MLI · from 2023 | Exemption with 10% | No dividend withholding

IN SHORT

- Tax treaty signed in Madrid on 10 September 2015 (BOE no. 304 of 15 December 2017), in force since 6 February 2018 and modified by the MLI with effect from 1 January 2023.
- Dividends: a maximum of 5%; exempt at source with a direct holding of at least 10% (company), 5% (the State, public entities, the QIA and Qatar Holding) or 1%, also direct, in companies whose shares are substantially and regularly traded on a stock exchange of either State.
- Art. 7 of the MLI (principal purpose test); the treaty preserves domestic anti-abuse rules and requires the recipient to be the beneficial owner.
- Unlike the UAE, Qatar defines individual residence without requiring nationality: it can include expatriates. Corporate shareholder: since Law 11/2022, foreign dividends received by a Qatari project are taxable, subject to exemptions.

Key facts

Tax treaty	Signed on 10/09/2015, in force since 06/02/2018
MLI	Yes · from 01/01/2023
Wealth	No wealth article: Spanish law applies
Dividends (Arts 10.2 and 10.3)	5%; exempt with 10% held directly (company); no holding period
Income tax in Qatar	General rate of 10%

The Qatari subsidiary of a Spanish ETVE

Qatar does not withhold tax on dividends: the 5% withholding tax in Art. 9.2 of Law 24/2018 covers royalties, interest, commissions and services, not ordinary dividends. The treaty also exempts them with a 10% direct holding.

For the ETVE, the minimum taxation requirement of Art. 21 LIS is treated as met by the treaty with exchange of information; the other requirements are checked separately. On a sale, shares deriving more than 50% of their value from immovable property are taxable where the property is located, excluding office premises and industrial real estate (Art. 13.4 and Protocol VI).

The shareholder resident in Qatar

- **In Spain:** no withholding tax under Art. 108 LIS. The treaty has no wealth article: an individual shareholder is subject in Spain to the wealth tax and the ITSGF (Temporary Solidarity Tax on Large Fortunes) under Spanish law.
- **In Qatar:** since Law 11/2022 (effective from 2 February 2023), foreign dividends received by a Qatari project are taxable (Art. 2 bis/1). The exemption in Art. 4.8 is limited to dividends paid out of profits taxed or exempt under local law; for a company subject to ordinary income tax, the ETVE dividend may be taxed at 10%, with any double taxation relief.

THE SPECIFIC POINT

The individual shareholder: not confirmed

A resident Qatari national has an express exemption (Art. 4.12). For an expatriate investing privately, the result depends on how that investment is classified, because the law's definition of activity includes the exploitation of movable property (Arts 1, 2 bis/1 and 4.12). We review it with a Qatari adviser before setting up the structure.

What we review in a Qatari case

- [ ] Type of shareholder: company, Qatari national or expatriate.
- [ ] For a company: wholly Qatari-owned or not, the Qatari and foreign shares of ownership, and the ordinary or special regime.
- [ ] For an expatriate: the classification of the investment, with the Qatari adviser.
- [ ] Spanish wealth tax for an individual shareholder.
- [ ] Qatari subsidiary: the 10% direct holding and beneficial ownership.
- [ ] MLI principal purpose test and substance in Spain.

Full profile: dechampsabogados.com/en/etve/countries/qatar/

Saudi Arabia

Tax treaty in force | MLI · from 2023 | Exemption with 25% | Zakat

IN SHORT

- Tax treaty signed in Madrid on 19 June 2007 (BOE of 14 July 2008), in force since 1 October 2008 and modified by the MLI with effect from 1 January 2023.
- Dividends: a maximum of 5%; exempt if the beneficial owner is a company with a direct holding of at least 25%. No holding period.
- The treaty includes zakat among the taxes covered (Art. 2.3.b.i). Art. 7 of the MLI (principal purpose test); there is no limitation on benefits clause, but point I of the Protocol allows one State to tax income allocated exclusively to the other if the latter does not tax it because of its territorial system.
- Wealth: the Protocol (point II) applies the wealth rules only if both States levy a net wealth tax; this must be confirmed, including how zakat fits in.

Key facts

Tax treaty	Signed on 19/06/2007, in force since 01/10/2008
MLI	Yes · from 01/01/2023
Taxes covered (Art. 2)	Zakat and income tax
Dividends (Art. 10.2)	5%; exempt with 25% held directly by a company
Sale of shares (Art. 13.5)	A holding of at least 25% in an unlisted company: taxable in the company's country

The Saudi subsidiary of a Spanish ETVE

With a direct holding of at least 25%, the Saudi dividend is paid to the ETVE exempt; below that percentage, the domestic withholding tax is 5% (ZATCA). Saudi income tax is 20% on the base subject to that tax, which is distinct from the zakat base.

For the ETVE, the minimum taxation requirement of Art. 21 LIS is treated as met by the treaty; the other requirements are checked separately. Spain's underlying tax credit does not cover zakat (Art. 24.1.c).

The shareholder resident in Saudi Arabia

- **In Spain:** no withholding tax under Art. 108 LIS. Spanish wealth tax and the ITSGF (Temporary Solidarity Tax on Large Fortunes) under Spanish law (Protocol II).
- **In Saudi Arabia:** an individual not carrying on an activity pays no personal income tax, and zakat does not apply to someone who does not carry on an activity (ZATCA guideline). For a Saudi company, the case is not confirmed: the zakat treatment of a foreign investment is governed by Art. 44 of the Zakat Collection Rules (1445H), and the base is split between zakat and 20% income tax according to the shareholders.

THE SPECIFIC POINT

Art. 13.5 on a sale of the ETVE

If a Saudi shareholder holds at least 25% of an unlisted ETVE, the treaty allows Spain to tax the gain on the sale, except the part that has no Spanish source under Art. 108.2.b LIS. The exit must therefore be planned from the outset.

What we review in a Saudi case

- [ ] Type of shareholder: individual without an activity, or Saudi company (zakat and income tax).
- [ ] For a company: Art. 44 of the Zakat Collection Rules and the split of the base by shareholder.
- [ ] A sale of the ETVE: Art. 13.5 and the part protected by Art. 108.2.b LIS.
- [ ] Spanish wealth tax for an individual shareholder.
- [ ] Saudi subsidiary: the 25% direct holding, beneficial ownership and the PPT.
- [ ] Substance in Spain.

Full profile: dechampsabogados.com/en/etve/countries/saudi-arabia/

Singapore

Tax treaty in force | MLI · from 2023 | 0% with 10% | Foreign income exempt

IN SHORT

- Tax treaty signed in Singapore on 13 April 2011 (BOE of 11 January 2012), in force since 2 February 2012 and modified by the MLI with effect from 1 January 2023.
- Dividends: 0% if the beneficial owner is a company with a direct holding of at least 10%; 5% otherwise. Neither the treaty nor the MLI sets a holding period.
- Art. 7 of the MLI replaces the anti-conduit clause in the Protocol (point I.d). The treaty does not prevent domestic anti-abuse or CFC rules.
- Individual resident in Singapore: foreign-sourced income exempt (s. 13(7A) of the Income Tax Act). Corporate shareholder: s. 13(8) exemption, not confirmed for an ETVE without case-by-case review.

Key facts

Tax treaty	Signed on 13/04/2011, in force since 02/02/2012
MLI	Yes · from 01/01/2023
Wealth	No wealth article: Spanish law applies
Dividends (Art. 10.2)	0% with 10% held directly; 5% otherwise
Capital gains (Art. 13)	Only in the seller's country, except property-rich companies (with exceptions for listed shares)

The Singapore subsidiary of a Spanish ETVE

Singapore does not withhold tax on dividends (IRAS), and the treaty also sets 0% for companies with at least 10%. For the ETVE, the minimum taxation requirement of Art. 21 LIS is treated as met by the treaty with exchange of information; the other requirements are checked separately.

Distributions by listed real estate investment entities (S-REIT) have their own rule: 5% below a 10% holding of the capital, direct or indirect; with 10% or more, the treaty sets no limit and domestic law applies (Art. 10.2.b).

The shareholder resident in Singapore

- **In Spain:** no withholding tax under Art. 108 LIS. The treaty has no wealth article: an individual shareholder is subject in Spain to the wealth tax and the ITSGF (Temporary Solidarity Tax on Large Fortunes) under Spanish law.
- **In Singapore:** an individual's foreign-sourced income received in Singapore is exempt (s. 13(7A)(b), since 01/01/2004), unless received through a Singapore partnership. A company may apply the s. 13(8) exemption if its three conditions are met.

THE SPECIFIC POINT

The Singapore corporate shareholder

The s. 13(8) exemption requires a highest headline tax rate of at least 15% in the source country (Spain meets it), that the income has been subject to tax, and that the exemption is beneficial. The second can be met with underlying tax and IRAS's methods of proof, but it cannot be presumed that tax paid by any subsidiary covers the whole chain, and IRAS excludes pure holding companies from proof through consolidated accounts. With an ETVE, we do not treat it as confirmed without its accounts, the profits distributed and the taxes.

What we review in a Singapore case

- [ ] Type of shareholder: individual (s. 13(7A)) or company (s. 13(8)).
- [ ] For a company: the subject-to-tax test against the ETVE's accounts and the profits distributed and, if it sells the ETVE, section 10L (group and substance).
- [ ] Spanish wealth tax for an individual shareholder, since the treaty has no wealth article.
- [ ] Singapore subsidiary: the 10% direct holding and, for an S-REIT, its own rule.
- [ ] MLI principal purpose test: documented business reasons.
- [ ] Substance in Spain.

Full profile: dechampsabogados.com/en/etve/countries/singapore/

United Arab Emirates

Tax treaty in force | MLI · from 2023 | Residence: nationals only | 0% withholding tax

IN SHORT

- Spain-UAE tax treaty signed on 5 March 2006 (BOE of 23 January 2007), in force since 2 April 2007 and modified by the MLI with effect from 1 January 2023.
- Treaty residence (Art. 4.1.b): an individual is a UAE resident only if domiciled in the UAE and a UAE national. An expatriate has no treaty entitlement, but Art. 108 LIS does not require one.
- Dividends: 5% with a direct holding of at least 10%; 15% otherwise. Art. 7 of the MLI replaces the anti-abuse clauses in Arts 10.7, 11.5 and 12.5.
- The UAE applies 0% withholding tax to dividends (Art. 45 of Federal Decree-Law 47/2022). Corporate tax: 0% up to AED 375,000 and 9% above, with a separate regime for free zones.

Key facts

Tax treaty	Signed on 05/03/2006, in force since 02/04/2007
MLI	Yes · from 01/01/2023
UAE resident (Art. 4.1.b)	Individual: domicile and UAE nationality; company: incorporation and effective management
Dividends (Art. 10.2)	5% with 10% held directly; 15% otherwise
Wealth (Art. 21.4)	Shareholdings taxable in the State of residence, for treaty residents only

The UAE subsidiary of a Spanish ETVE

The UAE subsidiary pays dividends to the ETVE without withholding tax, because the UAE does not levy it. For the ETVE, the minimum taxation requirement of Art. 21 LIS is treated as met by the treaty with exchange of information, provided the treaty applies to the subsidiary: a company incorporated in the UAE with its place of effective management there.

In free zones, the 0% rate for a qualifying free zone person depends on the classification of the entity and of each item of income (Art. 18 of the Decree-Law); treaty residence is examined separately. The other requirements of Art. 21 are checked separately.

The shareholder resident in the UAE

- **In Spain:** no withholding tax under Art. 108 LIS, which does not require a treaty: the UAE is not a non-cooperative jurisdiction. A UAE national domiciled there can invoke Art. 21.4 for wealth tax; an expatriate cannot, so the Spanish wealth tax and the ITSGF are governed by Spanish law.
- **In the UAE:** there is no personal income tax on private or passive income. If the individual carries on a business activity, UAE corporate tax may apply above the threshold; the investment in the ETVE should not form part of that activity.

THE SPECIFIC POINT

National or expatriate, individual or company

An expatriate living in Dubai can be a shareholder of an ETVE without Spanish withholding tax, but has no treaty entitlement: a sale of the ETVE and income not covered by Art. 108 are governed by Spanish domestic law. For a UAE company as shareholder, we do not treat the case as confirmed: there is a participation exemption (Art. 23 of the Decree-Law) and a rule for holding companies (Arts 6 and 7 of Ministerial Decision 302/2024), which depend on the facts.

What we review in a UAE case

- [ ] Treaty residence: UAE national domiciled in the UAE or expatriate.
- [ ] For an expatriate: Spanish wealth tax and the treatment of a future sale of the ETVE.
- [ ] That the investment does not form part of a UAE business activity of the shareholder.
- [ ] UAE corporate shareholder: the 5% or alternative threshold, twelve months, economic rights and the holding company's assets.
- [ ] UAE subsidiary: treaty residence and, in a free zone, its classification.
- [ ] Substance in Spain and the principal purpose test.

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