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SPANISH CORPORATE TAX: RECENT DEVELOPMENTS & TAX TREATIES

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I. SPANISH CORPORATE TAX: LIMITATION OF THE DEDUCTIBILITY OF FINANCIAL EXPENSES

- Limitation on intra-group financial expenses:

  i. To acquire participations in the capital or equity of any entity from other group of entities or,

  ii. To make equity contributions to other group entities.

  Deductible if the taxpayer can prove that there are sound business reasons for carrying out such operations.

- General limitation on the deductibility of net financial expenses:

  There is a new general limitation on the deductibility of the net financial expenses to a maximum amount of 30% of the adjusted operating profits for the financial year. In any case, net financial expenses of the year will be deductible up to the limit of € 1,000,000.

- Financial expenses may be deducted for the following 18 years.

II. SPANISH CORPORATE TAX: LIMITATION OF NOLS - OTHERS

Net operating losses may be carried forward for 18 years.

Certain limitations on the compensation of unused losses for tax years 2012 and 2013.

- 50% (previously 75%) of the taxable base if in those 12 months the company's turnover is between € 20 million and 60 million; and

- 25% (previously 50%) of the taxable base if the company's turnover exceeds € 60 million.

Others:

- The maximum annual deduction of financial goodwill in 2013 is limited to 1% (before 5%).

- The deduction for depreciation of assets is limited to 70%.

- Mechanism to update the value of certain assets in the balance sheets.

No taxation on dividends and capital gains derived from Qualifying shareholdings:

- Non-Spanish resident entities.
- Shareholding ≥ 5% or acquisition value > 6 Million Euros.
- 1 year holding (or commitment, for dividends only).
- Subject to an identical or analogous tax or Tax Treaty with exchange information clause.
- No tax haven (except if in the UE and valid economic reasons).
- 85% of the total income must derive from an active business and from outside Spain.

However, for tax period 2012 onwards this exemption could also be partially applied for capital gains in those cases in which the conditions related to active business and subject to tax, listed above, were not met during some of the periods in which the stake is held in the non-resident company.

IV. TAX TREATIES

- Spain has 85 Tax Treaties in force up to February 2013.
- During the period January 2009 – February 2013, the following Tax Treaties have entered into force: Albania, Armenia, Barbados, Bosnia and Herzegovina, Costa Rica, El Salvador, Georgia, Hong Kong, Jamaica, Kazakhstan, Moldavia, Pakistan, Panama, Serbia, Singapore, Trinidad and Tobago and Uruguay.
- Spain is now in the process of negotiation (at different stages) the following Tax Treaties: Azerbaijan, Dominican Republic, Kuwait, Namibia, Nigeria, Oman, Peru, Senegal and Syria.
- Curaçao, Aruba, Andorra, San Marino and Bahamas have recently signed Exchange of Information Agreements with Spain and, therefore, they are no longer considered tax haven jurisdictions (excluded from the Spanish blacklist).
- Exchange of Information Agreements with Bermuda, Cayman Islands, Cook Islands, Guernsey, Isle of Man, Jersey, St. Lucia and St. Vincent and the Grenadines are currently in the process of negotiation.

Signed and in Force:

- Barbados
- Bolivia
- Brazil
- Chile
- Colombia
- Costa Rica
- Cuba
- Ecuador
- El Salvador
- Jamaica
- Mexico
- Panama
- Trinidad and Tobago
- Uruguay
- Venezuela

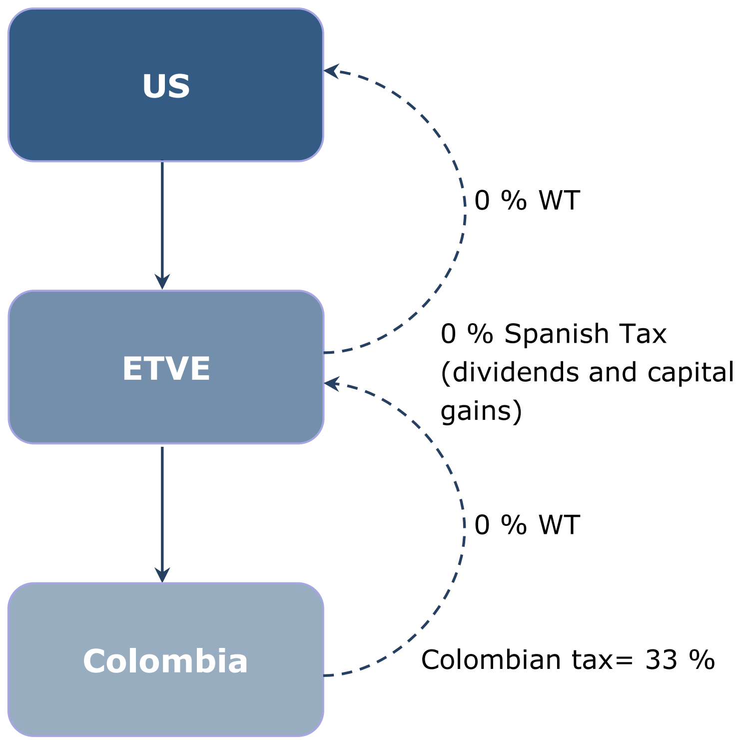
Signed but not yet in force:

- Peru
- Dominican Republic

In process of negotiation:

- Honduras
- Guatemala
- Argentina

IV. TAX TREATIES: COLOMBIA



Domestic legislation

Dividends: 0% Withholding Tax (WT) (33% in certain cases).

Capital gains on the sale of Colombian subsidiaries: 33%.

Tax Treaty

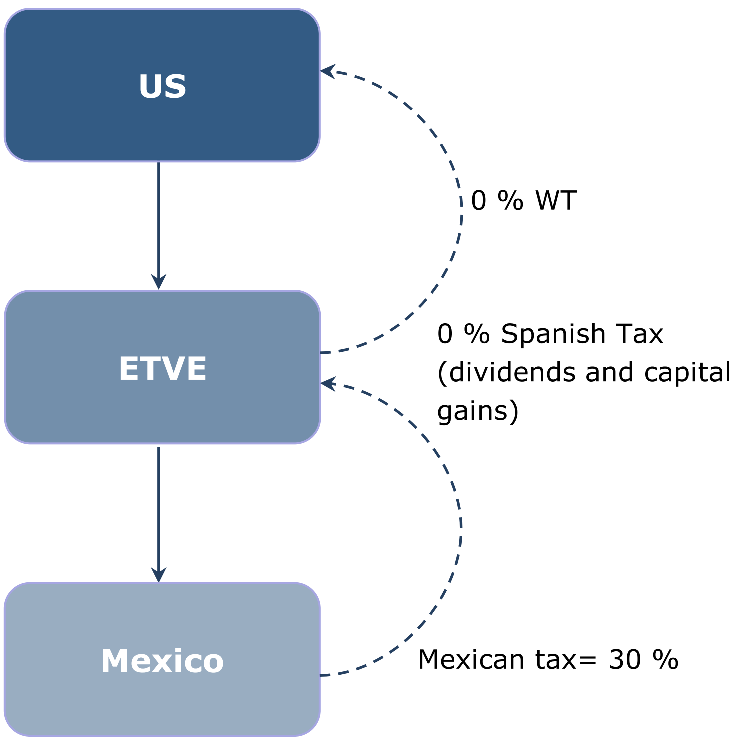
Dividends: 0% WT
5% WT (<20%)

Capital gains: 0% Tax (unless the company is a real estate company).

Investment protection

Bilateral Investment Treaty for investment protection (BIT) as of March 31, 2005.

IV. TAX TREATIES: MEXICO



Domestic legislation

Dividends: 0% Withholding tax (WT).

Capital gains on the sale of Mexican subsidiaries: 30% tax on the gain (or 25% on the gross proceeds obtained).

Tax treaty

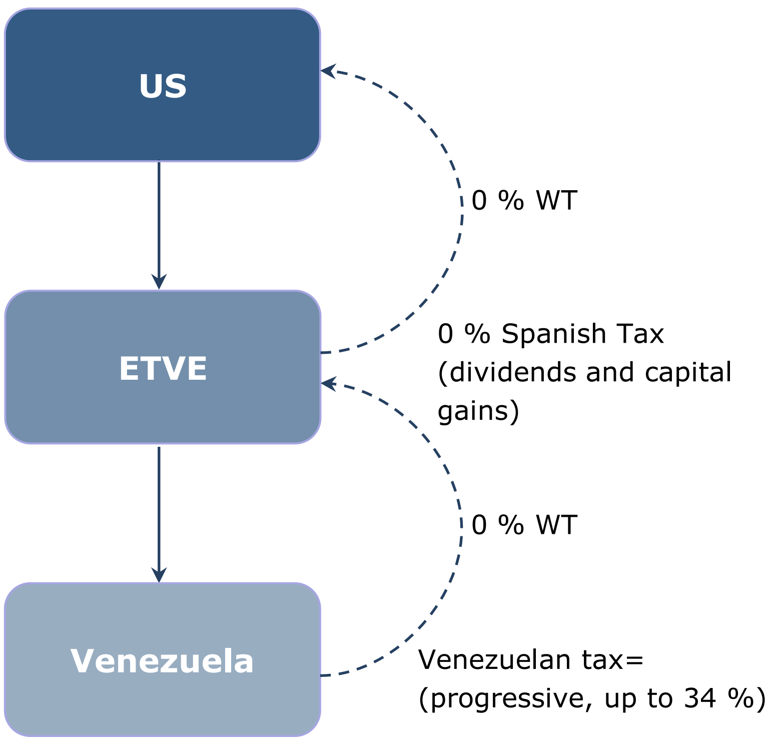
Dividends: 5% WT (≥ 25%)
15% WT (<25%)

Capital gains: 0% tax (exception for real estate companies or for shareholdings higher than 25%).

Investment protection

Bilateral Investment Treaty for investment protection (BIT) as of December 18, 1996.

IV. TAX TREATIES: VENEZUELA



Domestic legislation

Dividends: 0% Withholding tax (WT) (unless the Venezuelan subsidiary was not subject to corporate taxation: 34% WT).

Capital gains on the sale of Venezuelan subsidiaries: up to 34%.

Tax treaty

Dividends: 0% WT (≥ 25%)
10% WT (<25%)

Capital gains: 0% tax (exception for real estate companies).

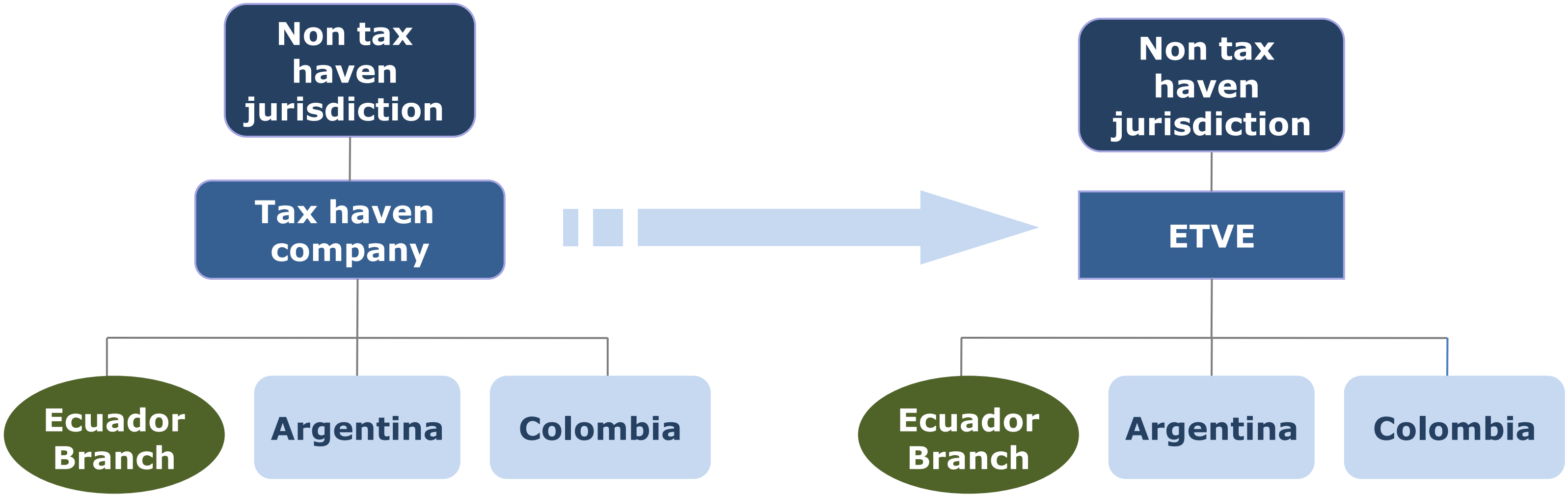
Investment protection

Bilateral Investment Treaty for investment protection (BIT) as of September 10, 1997.

ETVE: Transfer of legal and tax seat to Spain

Tax and legal consequences in Spain

- No Capital Tax
- Maintenance of legal personality of the company.
- No taxable income in Spain for both shareholder and company.



Qualifying participations

OBJECTIVES OF REIT'S ESTABLISHMENT

- Promote the rental market in Spain increasing its professionalism.
- Facilitate people's access to real estate.
- Increase competitiveness in the Spanish stock markets.
- Boost the real estate market.
- Allow the small and medium size investors to guide their investments to real estate assets under professional management and diversification without assuming the acquisition costs of the assets.
- Access to real estate investment formulas sustained over time (via dividends) and daily liquidity (trading).

V. REITS (SOCIMI)

- Minimum share capital: 5 MM/€.
- Trading of shares: allowed in Multilateral Trading Facilities. E.G. "MAB".
- Investment regime: regarding the requirement that at least the 80% of revenues must come from, together with dividends from the subsidiaries "suitable", from the rental of buildings, it is required that the lessee is not a related entity.
- Maximum external financial requirement of 70%: the requirement is waived for REIT subsidiaries whose dividend policy and investment requirements are the same as those of a REIT.
- Profit distribution: It will be distributed at least:

  a) 100% of the profits from dividends of the subsidiaries.

  b) 50% of the remaining profits obtained.

- The scheme consisted on tax the vehicle at 19%, and with the new regulation consist on a fiscal neutrality scheme (0% rate) with tax in the place of shareholder's personal taxation (PIT, CIT, NRIT).

Since 1st of January 2013

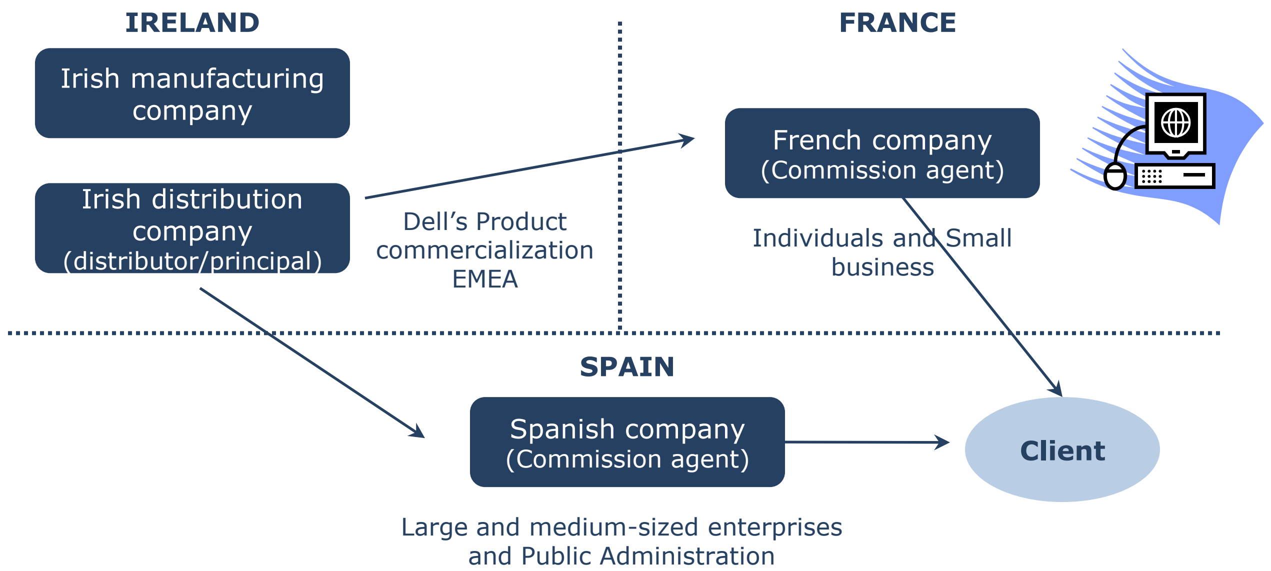
INDIVIDUAL RESIDENT	NON-RESIDENT SHAREHOLDER Without P.E.	RESIDENT SHAREHOLDER / NON-RESIDENT SHAREHOLDER WITH P.E.
21%-25%-27%	0 - 21%	30%

REIT

CIT: 0%
Possible Special Tax: 19%

REIT or other similar entities

VI. BUSINESS CASE - DELL



The Irish company performs Dell's Product commercialization by:

- Company in Spain: Large and medium-sized enterprises and Public Administration (Individual treatment).
- Company in France: Individuals and small-sized enterprises (Call center and website).

Until 1995, the Spanish company operated as a distributor, moving to a commission agent in his own name but on behalf of the Irish company.

Risk of considering that the Irish company operated in Spain through a permanent establishment?

VII. NEW PROTOCOL AMENDING THE US - SPAIN DOUBLE TAX CONVENTION

The main changes of the new protocol amending the US-Spain Double Tax Convention are the following:

- The minimum length of time required for a construction or installation project to be considered a permanent establishment is extended from 6 to 12 months.
- The general withholding tax rate on dividend payments between associated companies (10% shareholding – previously 25%) is reduced from 10% to 5%. The dividend withholding tax is eliminated for parent companies holding 80% or more of the voting stock in the paying entity for 12 months.
- Withholding tax on interest is eliminated and the protocol eliminates withholding taxes on technology-related payments.
- Both countries waive their right to tax at source capital gains on shares, the only exception being shares in real-estate holding companies.
- The protocol includes a compulsory mutual arbitration procedure to resolve double taxation disputes between the two countries.
- Other provisions: exchange of information and mutual assistance, clear limitation-of-benefits rules to ensure that benefits are effectively constrained to residents in either countries, and providing solutions for special taxpayers (e.g., US REITS and Spanish SOCIMIS) and certain types of income (e.g., pensions and annuities).

THANK YOU !!

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This document is merely a presentation and must be interpreted together with any explanations and opinions drafted by Cuatrecasas, Gonçalves Pereira on this subject