

21 – Greening R&D Tax Incentives for an Environmentally Friendly Economic Recovery: Proposals from Spain

José María Cobos Gómez

The Covid-19 health crisis and its tremendous economic repercussions have drastically shifted governments' priorities when defining their short- and medium-term objectives. In Spain, a country with high structural unemployment and considerable dependence on tourism, the impact of Covid-19 has been felt particularly strongly in human and economic terms.

Despite the foregoing, there is a broad consensus that the crisis poses a clear opportunity to adopt economic stimulus measures that would allow for more sustainable and environmentally friendly growth. In particular, there are a number of sectors that could be key for reconciling economic recovery with sustainability, such as renewable energies, energy efficiency and electric vehicles.

To make this goal a reality, a firm commitment to innovation, to clean technologies and to environmental investments is needed. Like other countries, Spain offers some tax incentives to support both environmental and R&D activities, mainly consisting of unrestricted depreciation on innovation and environmental assets, a deductible reserve for environmental investments, a tax credit on expenses and investments for the forest protection and a generous tax credit on R&D activities, which could be an interesting starting point to address the tax instruments towards eco-innovation, clean technologies, ecological transition and decarbonization of the economy. In this line, recent legal modifications in Spain have improved the tax incentives for cleaning the automotive industry: on one side, improving the tax credit for technological innovation activities resulting in a technological advancement in obtaining new production processes in the automotive industry's value chain, or substantial improvements in pre-existing ones; on the other side, introducing a new possibility of taking unrestricted depreciation on investments made in in the electric, sustainable or connected mobility value chain.

Against this backdrop, we have the perfect chance to “re-green” tax systems, shifting tax incentives for R&D toward efforts such as eco-innovation, clean technologies, environmental investment and ecological transition. In this paper, we will describe the most relevant tax incentives in the Spanish Corporate Income Tax on environment and innovation, as well as the lessons that can be learned from the Spanish experience and put forth proposals to improve the efficiency of such tax incentives.

Biographical note

José María Cobos (PhD) is a partner in the Tax practice area of the law firm Garrigues. He has extensive experience in the field of business taxation, restructuring transactions and advice for tax groups, as well as in personal and wealth planning, family business and tax inspection and regularization proceedings. He also provides advisory services relating to environmental taxation, R&D and environmental tax incentives and environmental accounting, to both private enterprises and public authorities. He has been an associate lecturer at Comillas Pontifical University since 2005, where he teaches subjects relating to taxation and accounting. He also lectures regularly on postgraduate courses at Centro de Estudios de Garrigues and Universidad Europea de Madrid. He has a Degree in Law and Business Administration (Comillas Pontifical University) and a PhD in Law (Cardenal Herrera-CEU University). He is a member of the Madrid Bar Association.