

NEWSLETTER

VAT DEDUCTIBILITY IN MIXED HOLDINGS

A ruling by the Central Economic Administrative Court (hereinafter TEAC) on 27 March 2025 addresses how the right to deduct VAT incurred by a 'mixed holding company' should be applied.

The TEAC understands that a mixed holding company is a company that combines two types of activities:

- An economic activity, consisting of the provision of management and administration services to subsidiaries.
- A non-economic activity, referring to the mere holding of company shares.

According to the TEAC, the right to deduct input VAT can only be exercised in relation to economic activities.

Therefore, the mixed holding company could be subject to general pro rata and, in order to determine the deduction percentage, the income generated by the economic activity (numerator) is compared to the total income obtained by the entity (denominator).

In the event that dividends are received from investee companies, these must be included in the denominator, resulting in a lower percentage in the aforementioned ratio.

Considering that the TEAC endorses a VAT pro rata calculation that includes dividends from shareholdings in the denominator, understanding them as non-economic income subject to pro rata calculation, it is advisable to check whether dividends have been received during the financial year and also to review the policy on passing on services to mixed holding companies in order to reduce the risks of deductibility of input tax.

Legal, Tax & Advisory

Although it could be argued that the TEAC's criteria violate the principle of fiscal neutrality and penalise legitimate structures, they must be followed as they are binding on the Tax Administration itself and are being applied by the Inspectorate.

We are at your disposal to analyse your situation and, if appropriate, implement the necessary measures to neutralise any adverse consequences arising from the application of the above criteria.

Yours sincerely,
Tax Department

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Barcelona, 18th December 2025

The content of this circular is purely informative and does not constitute sufficient advice for making decisions on the matters discussed.