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Mind the Gap 2026: Country fiche – Spain

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Mind the Gap 2026: Boosting public finances through joint efforts to reduce tax gaps and improve compliance

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Country fiche: Spain

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength

- **Spain has a modern tax administration, and the tax system has undergone significant digitalisation.** Widespread use of electronic filing, online platforms and data-driven tools help encourage compliance and improve the efficiency of tax collection. Specifically, the Spanish Tax Agency (AEAT) operates a highly digitalised system with near-real-time risk monitoring ('SII'), extensive data integration, and proactive compliance tools such as pre-filling and assistance programmes for all major taxes, albeit with significant differences in terms of scope and maturity.
- **Spain maintains a low level of tax arrears (6.7% of revenue), with 87% deemed collectable in 2024.**

Areas for Improvement

- **There is scope for wider-ranging action to quantify and monitor compliance gaps also in corporate income taxation (CIT).** So far efforts have focused on VAT and, to a lesser extent, personal income tax (PIT). Compliance gap estimates are not published.
- **Reporting of tax expenditures (TEs) at central government level was discontinued in 2022, which is unfortunate also because Spain has the largest VAT policy gap in the EU.** The Spanish Constitution explicitly mandates the amount of tax expenditures to form part of the draft annual budget law. However, the Spanish Government has not submitted a new draft to the Parliament since the autumn of 2022 and hence an update of the central government TE monitoring report has not been published since. Resuming public reporting on TEs is essential to improve the transparency, accountability and quality of public finances.
- **There is no systematic approach to TE monitoring and evaluation.** Despite the lack of central government reporting, regional governments have continued preparing their own TE monitoring reports included in their annual regional budgets. To reduce fragmentation across government levels, there are ongoing attempts to coordinate the structure and quantification of all TEs in the country bringing together central and regional authorities to share their practices. Nevertheless, a consolidated list of TEs is not available. In addition, despite some evaluations in the past (notably, from the Independent Fiscal Institution, "*Autoridad Independiente de Responsabilidad Fiscal*" -AIReF), there is no systematic approach to assessing the effectiveness of TEs. Enhanced consolidated reporting and systematic assessment of all TEs at all levels of government could help verify their cost-effectiveness and guide policymakers seeking to improve the quality of public finances.
- **As highlighted by the 2026 Council Specific Recommendations, limiting tax expenditures would support fiscal consolidation in a context of growing spending needs.** TEs are widespread across multiple tax types -including VAT, PIT and CIT-, leading to a significant budgetary impact that is not always justified in terms of economic efficiency.

1. Introduction and policy context

1.1. Snapshot of the tax system

Despite recent increases, the tax-to-GDP ratio remains comparatively low in Spain amid growing reliance on labour taxes. Tax revenue (including social contributions) in Spain has stabilised above 36% of GDP, almost 3 percentage points (pps) higher than in the pre-COVID-19 years ([1]). Specifically, the tax-to-GDP ratio reached 36.8% of GDP in 2024, which is 2.6 pps below the EU average ([2]). Recent increases in tax revenue are explained by a growing reliance on labour taxation, which accounted for 51.8% of total tax revenue in 2024. A strong labour market, continued rises in social-security rates and the non-indexation of personal-income-tax brackets since 2021 have propelled these developments. Consumption taxes represented 24.7% of total tax revenue (2.1 pps below the EU average), in a context of comparatively low VAT revenues (6.4% of GDP, 0.7 pps below the EU average) influenced, among other factors, by a high VAT policy gap (see Section 3.2). Capital taxes accounted for 23.5% of total tax revenue (almost 2 pps above the EU average), with revenues from property taxes above the EU average. By contrast, revenues from environmental were comparatively low (1.6% of GDP, compared to 2.1% EU-wide).

Despite progressive labour taxation, Spain has high levels of income inequality and poverty. The tax wedge ([3]) is slightly below the EU average for low-income earners and slightly above for high-income earners ([4]). This results in a difference in the tax wedge between individuals at 167% of average wage and at 50% of average wage of 15.1 pps, neatly above the EU average of 12.5 pps. However, the tax-benefit system shows limited redistributive capacity, as it reduced the Gini coefficient ([5]) by 6.9 pps in 2024, below the EU average of 7.8 pps. One factor adding to this situation are certain tax expenditures which benefit medium- to high-income households the most, such as preferential VAT rates in restaurants and accommodation. Income concentration is comparatively high, with the income quintile share ratio (S80/S20) at 5.24 (2025, income reference year 2024), compared to 4.62 EU-wide ([6]). The at-risk-of-poverty or social exclusion rate (AROPE) ([7])

[1] See European Commission (2026), Annual Report on Taxation 2026, Figures 18 and 21.

[2] Data on tax revenues are based on European Commission: Data on Taxation Trends, edition 2026 (reference year 2024), which are produced by DG Taxation and Customs from ESA table 9 and National Tax List data, as collected and validated by Eurostat. The 2027 edition (reference year 2025) will be published in the first quarter of 2027. Recent Eurostat release shows a historic-high tax-to-GDP ratio of 37.7% in 2025, compared to an EU average of 39.7% (data of 30/10/2026 on [GOV_10A_TAXAG]).

[3] The tax wedge is an indicator of the tax burden on labour that can be assessed at different earnings levels. It is calculated as the sum of personal income tax, employee social-security contributions, employer social-security contributions and other mandatory contributions, net of cash family benefits where relevant, expressed as a percentage of total labour costs (composed of the gross wage plus employer social-security contributions). Data are based on the EUROMOD model, calculated by the Joint Research Centre of the European Commission. Unless indicated differently, values indicated in this country fiche refer to single earners.

[4] The tax wedge for an earner of 50% of the average wage is of 29.7%, 1.9 pps below the EU average. Earners of 100% of the average wage have a tax wedge of 40.1% (0.1 pps above the EU average), and earners of 167% of the average wage have a tax wedge of 44.8% (0.7 pps above the EU average).

[5] European Commission, DG ECFIN calculations based on EU-SILC survey data. A Gini coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income. The difference between the "gross" (excluding pensions from social transfers) and the "net" Gini coefficient, i.e. before and after application of the tax-benefit system, reflects the difference between market income and disposable income.

[6] The income quintile ratio (S80/S20) is a headline indicator in the EU Social Scoreboard used to monitor income inequality. It measures the ratio between the total equivalised disposable income received by the top 20% of the population and the bottom 20%.

[7] Share of people living in households experiencing at least one of the three poverty and social exclusion risks: risk of poverty, severe material and social deprivation, and/or living in a household with very low work intensity.

stays at 25.7%, well above the EU average (20.9%). Families with children – particularly, mono-parental ones – are particularly exposed to poverty.

In 2026, Spain has received the following country-specific recommendations (CSRs) in the area of taxation ([8]):

- *Strengthen fiscal sustainability in particular by limiting tax expenditures, while protecting growth and supporting low-income households. Increase spending efficiency through enhanced monitoring of tax expenditures and implementing spending reviews at national and regional level.*

Spain is among the Member States with an extended adjustment period in its Medium-Term Fiscal Sustainability Plan (MTFSP) ([9]).

1.2. Tax complexity and simplification measures

1.2.1. Measures of tax complexity

Spain's tax system appears moderately complex, particularly from the perspective of corporate taxpayers and legislative activity. Survey-based evidence from the Tax Complexity Index (TCI) places Spain in the lower half of the EU distribution, ranking 24th among Member States. The underlying components of the TCI suggest that complexity arises somewhat more from the tax code than from administrative procedures ([10]). Citizen perceptions are broadly in line with the EU average: 51% of respondents report that completing their tax return is easy, slightly above the EU average of 49%, while reliance on professional assistance is also marginally above the average at 11% ([11]).

The number of tax changes is comparatively modest due to parliamentary fragmentation. Spain recorded 10 tax changes entering into force or announced in 2025, compared with an EU average of around 14 ([12]). Previous years saw 18 tax changes in 2024, 9 in 2023 and 21 in 2022, with the number of changes remaining at or below the corresponding EU average in each year. Parliamentary fragmentation has slowed down the approval of new measures in recent years ([13]). Although legislative activity was below the EU average in terms of the number of measures, the reforms span several areas of the tax system, including personal income taxation, social security contributions and environmental incentives. Examples include the introduction of an additional

[8] https://data.consilium.europa.eu/doc/document/ST-11121-2026-INIT/en/pdf.

[9] Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Spain, https://economy-finance.ec.europa.eu/document/download/cfdec323-f0c2-4e2d-adb3-e2f847aceba4_en?filename=MTFSP_2025_ES.pdf

[10] The Tax Complexity Index (TCI), developed under the Global MNC Tax Complexity Project, measures the complexity of countries' corporate income tax systems as faced by multinational firms. Based on survey data from tax professionals, it captures both the complexity of tax rules (tax code) and administrative procedures (tax framework), with values ranging from zero (not complex) to one (extremely complex).

[11] European Commission (2025), Flash Eurobarometer 562: Citizens' attitudes towards taxation, fieldwork conducted between 9 and 17 April 2025. Available at: https://europa.eu/eurobarometer/.

[12] The information is based on the tax measures reported by national administrations in the Joint OECD-European Commission Annual Tax Policy Reform Questionnaire, by aggregating and processing the responses received to the 2026 questionnaire. Responses to the 2026 questionnaire are relative to tax policy measures self-reported by the Member States that were implemented, legislated, or announced in each country between 1 January and 31 December 2025. While comprehensive, the list of tax measures is non-exhaustive. Further information on https://taxation-customs.ec.europa.eu/taxation/economic-analysis/tax-reforms-eu_en.

[13] It has also prevented the approval of a new annual budget since the Autumn of 2022, and the implementation of substantive tax reforms originally included in the RRP.

solidarity contribution on high salaries, the continued implementation of the Intergenerational Equity Mechanism, adjustments to social security contribution bases and the extension of tax incentives for energy-efficiency improvements in residential buildings. While many of these measures pursue objectives related to fiscal sustainability, equity and the green transition, they also require taxpayers and employers to adapt to evolving rules governing labour taxation and social contributions in the short run.

Demand-side indicators provide additional context. The accounting, bookkeeping and tax consultancy sector accounts for around 0.7% of gross operating surplus, slightly below the EU average of 0.9% ([14]). While this indicator is influenced by several factors, it does not point to a particularly sizeable professional services sector or unusually strong demand for specialised tax and accounting expertise ([15]). Taken together, the evidence indicates that Spain's tax complexity stems primarily from the underlying structure of the tax system and the breadth of tax and social contribution rules rather than from unusually frequent legislative change.

1.2.2. National simplification efforts

Over the last three years, Spain has adopted a limited number of measures to simplify tax procedures and reduce compliance costs, although these have focused mainly on tax administration rather than on simplifying the underlying tax system. The most significant reform is the introduction of a single rectifying self-assessment, generally replacing the previous distinction between supplementary returns and formal rectification requests, subject to tax-specific exceptions. This allows taxpayers to amend previous VAT, personal income tax (PIT) and corporate income tax (CIT) returns through a standardised procedure, generally without awaiting an administrative decision. Moreover, the special PIT filing obligation solely linked to receiving unemployment benefits has been removed; recipients remain subject to the general filing rules and thresholds. Further digitalisation measures include enabling "*Renta DIRECTA*" for straightforward PIT returns, expanded pre-filled information, virtual assistants and additional payment options. The future implementation of *VERI*FACTU* reporting system in 2028 (after some delay) and free invoicing software may further reduce recurring administrative costs, although businesses may face initial adaptation costs (see also Section 2.2).

1.3. Measures of the non-observed economy and the shadow economy

Estimates of economic activities outside the formal economy are relevant for gauging tax gaps. The non-observed economy (NOE) is an official figure provided by national statistical authorities estimating all economic activities that may not be captured in the basic data sources used for compiling national accounts. It includes underground, informal, illegal, and household self-use production, as well as activities missed due to imperfect data collection ([16]). The shadow

[14] A higher share of gross operating surplus indicates that the accounting, bookkeeping and tax consultancy sector generates a relatively larger share of operating profits and value added in the economy. While not a direct measure of tax complexity, it may point to a comparatively important professional services sector and, indirectly, to greater demand for specialised tax and accounting expertise.

[15] While some cross-border provision of accounting, tax consultancy and related services may be captured through imports and exports of services, available evidence suggests that such flows are relatively limited. In particular, data from the Eurostat's EU inter-country supply table at basic prices (reference year 2023) indicate that cross-national transactions in these services represent only a small share of overall activity, if any, suggesting that their impact on the interpretation of domestic sector size is likely to be limited.

[16] Statistical deficiencies (N7) are related to incomplete, not collected or not directly collectable data. See Fernandes, A. (2025), The non-observed economy in the national accounts: New evidence for EU and EFTA Member States - available at https://www.sciencedirect.com/science/article/pii/S0313592625000712 - for the definitions of the other components of

economy is an analogous but narrower concept— used in the economic literature and measured via macroeconomic models — that usually encompasses only legal, market-based productive activities deliberately concealed from public authorities to evade taxes or regulations. Due to limitations and methodological differences between the two approaches, model-based estimates of the shadow economy paradoxically often turn out to be considerably higher than NOE-based estimates.

Specifically, recent data from official sources ([17]) allow to estimate the size of the non-observed economy (NOE) in Spain at 5.6% of GDP for 2022. The NOE comprises the underground economy (4.2%), illegal economy (0.9%) and statistical deficiencies (0.4%), while informal economy represents 0.1% of GDP. Spain thus records a NOE below the EU average (7.4% of GDP) ([18]). The largest part of non-observed economy is concentrated in 'Wholesale and retail trade' (1.9% of total GVA), 'Construction' (1.3%), and 'Accommodation and food service activities' (1.1%). At industry level, the highest shares of NOE are presented by 'Accommodation and food service activities' (24.8% of its GVA), 'Other service activities' (23.2%) and 'Construction' (22%).

Different models produce substantially different estimates for the shadow economy, reflecting the complexity of such estimation. As in most EU Member States, model-based estimates of the shadow economy for Spain are higher than the non-observed economy estimate discussed above**.** In 2022, the shadow economy in Spain represented 15.8% of GDP, according to estimates by Schneider and Asllani for the European Parliament ([19]). This ratio is 1.8 percentage points below the EU-27 average, and it has decreased compared to 2003 (22.2% of GDP). The report also indicates that unemployment and self-employment are the main drivers of the shadow economy in Spain**.** Several other studies provide estimates of similar magnitude for the size of the shadow economy ([20]). However, using a currency demand approach (CDA), a recent study by EY ([21]) reports lower estimates for the Spanish shadow economy at 7.5% of GDP in 2023 (EU average 7.9%), down from 11.0% in 2000 (EU average 13.2%).

2. Compliance tax gaps

2.1 Overview

Spain does not publish national tax gaps, but has taken part to the TADEUS/Fiscalis project on tax gap estimation. While Spain does not report quantified tax gap estimates, other than via its involvement in the EU VAT gap estimation exercise, it participates in European tax gap estimation projects. The Fiscalis Project Group on Tax Gap Estimation, a collaborative initiative launched with the support of the European Commission, aims to develop a harmonised approach to

NOE: Producers deliberately not registering (N1); Illegal economy (N2); Producers not required to register (N3); Registered legal persons not surveyed (N4); Registered entrepreneurs not surveyed (N5); Producers deliberately misreporting (N6). Informal economy = N3+N4+N5. Underground economy= N1+N6. In other words, the informal economy specifically covers unregistered or small-scale unincorporated enterprises run by households.

[17] For data and documents used for calculations by TAXUD, see Section 1.3 "Measures of the non-observed economy and the shadow economy" in Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[18] The (unweighted) EU average does not include Luxembourg.

[19] This study uses a MIMIC approach (Multiple Indicator Multiple Cause). European Parliament (2022), Taxation of the informal economy in the EU. Study available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf.

[20] See Fernandes op. cit. (2025) for an overview of various studies.

[21] The report is available at https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/insights/tax/documents/ey-gl-shadow-economy-report-02-2025.pdf

estimating tax gaps across EU Member States. Spain participated in the first cycle, which was completed in 2025 ([22]). The second cycle of the project was launched in 2026.

2.2 Compliance tax gaps in VAT

For 2023, the VAT compliance gap ([23]) in Spain was estimated at around 7.5% of the VAT Total Tax Liability (VTTL) ([24]), or approximately EUR 8 billion. After falling from around 8% in 2019 to 3% in 2021, it increased again in 2023, remaining marginally below the 2019 level ([25]). Spain's VAT compliance gap remained below the EU average of 9.5% in 2023. This rise was linked to a decrease in the growth in consumption of easily taxable, low risk goods (such as food and non-alcoholic beverages) and an increase in the share of services in GDP.

Spain is undertaking measures to tackle the VAT compliance gap. New measures have been introduced recently, that along with the EU Digital Reporting Requirements (DRR) included in the EU's VAT in the Digital Age (ViDA) package should help reduce the VAT compliance gap. Specifically, Spain requires invoicing systems to produce secure, traceable and tamper-proof billing records, either with or without *VERI*FACTU* reporting. The latter is a billing informatic system that sends invoice records automatically to the Spanish Tax Agency when invoices are issued. The implementation of *VERI*FACTU* reporting system is expected to be completed in October 2028, at the time that e-invoicing obligation for all kinds of businesses and professionals is fully implemented. Finally, Spain is reinforcing VAT compliance in the hydrocarbon sector by implementing a new VAT payment guarantee system since 2025.

2.3 Compliance tax gaps in corporate and personal income tax

The Spanish tax administration estimates the PIT compliance gap using a top-down approach, although estimation results are not publicly disclosed ([26]). No CIT compliance gap estimation activities in Spain are reported publicly. Recent academic research is scarce; however, some earlier attempts have been made to quantify personal income tax fraud. ([27])

European Commission estimates suggest a below-average CIT compliance gap in Spain. Based on a methodology developed by the Joint Research Centre which relies on a top-down approach using national accounts data and estimates of the non-observed economy produced by national statistical offices, the CIT compliance gap of Spain is estimated at around 6.6% of collected CIT revenues based on 2021 data ([28]). Based on the same methodology, the (unweighted)

[22] For details, please refer to the TADEUS website, the FISCALIS programme website and the Final Report of the Project.
[23] The VAT compliance gap is an estimate of revenues lost due to VAT fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.
[24] The VAT Total Tax Liability (VTTL) is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.
[25] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.
[26] OECD Tax Administration Report 2024.
[27] See Julio López Laborda, "El hueco que deja el diablo: Una estimación del fraude en el IRPF con microdatos tributarios." https://www.funcas.es/wp-content/uploads/Migracion/Publicaciones/PDF/1887.pdf and Barrero et al. (2016), Tax evasion in Spanish Personal Income Tax by income sources, 2005–2008: from the synthetic to the dual tax, European Journal of Law and Economics
[28] European Commission estimates are based on a top-down methodology for approximating CIT compliance gaps using national accounts data. The approach relies on exhaustiveness adjustments made by national statistical offices to Gross Operating Surplus, Gross Value Added and Gross Domestic Product in order to account for non-observed economic activity in the compilation of GNI. The method provides a harmonised proxy for domestic underreporting of corporate income, but does not capture all sources of CIT revenue losses, in particular those related to international profit shifting or other forms

average CIT compliance gap is 9.2% of collected CIT revenues across all Member States. Compared to an earlier estimate of around 11.9% in 2016, this indicates a marked decline over time and a level below the EU average.

2.4 Other compliance tax gaps

The Commission continues its work on excise gap estimation, developing and scrutinising methodologies with experts from over 20 Member States, with the aim of delivering more robust estimates that better support policy and operational work. This work also illustrates Member States' growing engagement in the field.

While Spain does not currently estimate excise tax gaps, it devotes resources to strengthening EU cooperation on excise matters through its participation in the Fiscalis project group on Excise Gap and Risk.

There is no systematic research on other compliance tax gaps. There are no official programmes or published figures for compliance gaps related to other tax measures.

3. Policy Tax Gaps

3.1 Tax expenditure reporting and evaluation

Spain used to provide an annual projection on tax expenditures until 2022, in compliance with a constitutional mandate ([29]). In its article 134.2, the 1978 Spanish Constitution explicitly mandates recording the amount of tax expenditures as part of the annual budget law, that must be submitted every year to the Parliament. The first tax expenditure budget was prepared in 1979, and since 1996 the annual budget law was accompanied by a tax expenditure report. As such, the reporting is based on projected forgone revenues for the budget year, while figures on actual forgone revenues of the preceding year were also included. The tax expenditure report was presented for the last time in October 2022, as part of the 2023 Budget Law ([30]). The Spanish Government has not submitted a new annual budget to the Parliament since. Spain's Ministry of Finances indicates that it continues to prepare annual TE estimates, although they are not published. The Ministry also indicates that it is working on the creation of a dedicated webpage through which TE information would be published regardless of the annual budget process.

Monitoring of tax expenditures in the context of the state's budget law covers State's forgone revenues, net of revenue assigned to regional and local governments. The methodology used for estimating TEs in the 2023 Tax Expenditure Report was mainly based on the examination of tax returns and varied depending on the tax type. For example, for income tax the estimation was based in a microsimulation on a sample of tax returns. The report lists and quantifies all TEs with a budgetary impact for the central government. Hence, it covers all tax types managed by the central government to the extent that they are collected by the central government. TEs established at regional or local level, in the exercise of devolved competences, remain out of the scope of the report. In parallel, regional authorities usually prepare an annual tax expenditure report accompanying their draft regional budgets, similar to the central level.

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of legal tax optimisation. For further information on the data sources, underlying assumptions, and methodological caveats, see Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

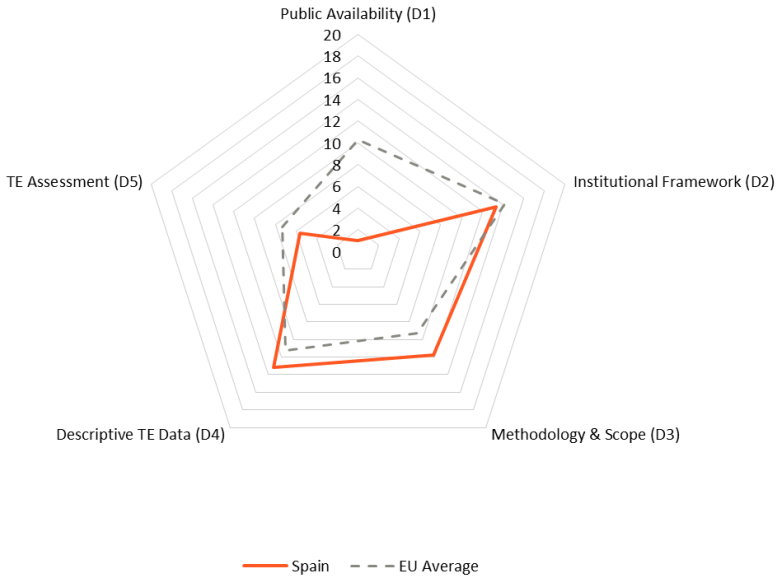
[29] https://constitucion.congreso.es/detalle-articulo?numero=134

[30] See "Memoria de Beneficios Fiscales – PGE 2023".

Comprehensive results that aggregate TEs at the different territorial levels are not available. There are ongoing efforts to coordinate the structure and quantification of all existing TEs in the country resulting from the creation of a working party where the central and regional authorities share common practices, but no progress has been publicly reported in recent years ([31]). Coordination efforts resulting in a comprehensive report would allow the identification of best practices and could help streamline the use of TEs across the regions and limit tax competition among them.

Tax expenditures budgeted by the central government in 2023 amounted to EUR 45.3 billion, of which those in the area of VAT accounted for more than a half. The 2023 Tax Expenditure Report ([32]) reported 115 provisions of tax expenditures that resulted in EUR 45.3 billion in 2023, equivalent to 23.9% of the budgeted tax revenues without tax expenditures. TEs in the area of VAT amounted to EUR 25.7 billion in 2023, i.e., 56.7% of the total. VAT exemptions were estimated at EUR 10.3 billion and reduced VAT rates (of 4%, 5% and 10%) at EUR 15.4 billion ([33]). TEs in the area of PIT were estimated at EUR 11.2 billion (24.7% of the total), and those in the area of CIT at EUR 5.7 billion (12.6%). The remaining TEs amounted to EUR 2.7 billion (6.0% of the total), including excise duties, non-resident taxes, tax on insurance's premium, etc.

Figure 1: Spain vs EU average — GTETI v2.1 dimension scores (max 20 per dimension)



Source: GTETI v2.1.

Compared to other Member States, tax expenditure reporting in Spain shows a mixed picture (overall ranked 17th according to the Global Tax Expenditures Transparency Index -GTETI- score). According to the GTETI analysis, transparency in TE reporting in Spain is below the EU average overall but exhibits an imbalance across dimensions. Figure 1 depicts the GTETI results

[31] The following link from the Ministry of Finances directs to the TE reports of the different Autonomous Communities: https://www.hacienda.gob.es/es-ES/CDI/Paginas/InformacionPresupuestaria/InformacionBeneficiosFiscales/Presupuestosdebeneficiosfiscales.aspx

[32] Link to 2023 Tax Expenditure Report "Memoria de Beneficios Fiscales".

[33] These figures differ from the estimates of the VAT rate gap and national policy-driven VAT exemption gap produced under DG TAXUD's VAT gap in Europe study and presented in section 3.2. This is due to differences in the methodology applied.

for the five dimensions analysed in comparison to EU averages ([34]). Maximum value for each dimension is 20. Spain performs above the EU average on Methodology and Scope, and Descriptive Tax Expenditure Data. Spain is on par with the EU average on Institutional Framework (13.33 vs 14.19). However, Public Availability is critically deficient (1.00 vs EU average 10.26), and Tax Expenditure Assessment is below the EU average (5.60 vs 7.34), indicating lack of timely data for recent fiscal years, no promotion or visibility efforts by authorities, poor online accessibility and no machine-readable data, limited reader-friendliness.

There is no process for regular TE evaluation, but many provisions were evaluated independently in 2020. As part of a cycle of spending reviews agreed between the Spanish Government and the European Commission, the independent fiscal institution (*Autoridad Independiente de Responsabilidad Fiscal* -AIReF) published in July 2020 a report reviewing and evaluating a set of tax expenditures ([35]). The AIReF analysed the suitability of EUR 34.2 billion of tax expenditures, which represented around 57% of total TEs estimated in the year of reference (2018). Resulting from this evaluation, the AIReF issued several recommendations, some of them still relevant, such as the gradual abolition of the joint taxation regime in the PIT; the harmonisation and coordination of all existing PIT incentives to support labour supply; the gradual revision of the reduced VAT rates to improve the distributive efficiency of the tax in relation to those goods currently taxed at reduced rates that are mainly consumed by high-income earners; and equalising the taxation of diesel with the taxation of gasoline. Later on, the Ministry of Finance published two reviews of TEs in 2021 (five measures) and 2022 (ten measures), as part of commitments within the Recovery and Resilience Plan.

3.2 Policy tax gaps in VAT

Since 2023, there have been some temporary and permanent modifications of VAT rates, notably for energy supply. Spain applied a 5% rate to the supply of electricity in 2023 and 10% in 2024 under certain conditions - afterwards, back to the standard 21%. The rate for natural gas was also 5% in 2023, 10% from 1 January 2024 to 31 March 2024, and back to the standard 21% afterwards. Finally, in the context of the conflict in the Strait of Hormuz, the VAT rate applicable on fuel and petrol and certain supplies of electricity and natural gas was reduced to 10% between 22 March 2026 and 30 June 2026. For basic food stuff, a 0% rate was applied from 1 January 2023 to 30 September 2024; it was 2% between 1 October 2024 and 31 December 2024 and returned to the previous 4% afterwards ([36]).

[34] See the Global Tax Expenditures Transparency Index (GTETI) companion paper (2026) and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches) for details. The GTETI summarises information in five dimensions. These are (1) Public availability — whether a TE report exists and is accessible; (2) Institutional framework — its legal mandate, periodicity, and integration into the budget process; (3) Methodology and scope — the benchmark definition, estimation method, and coverage of taxes; (4) Descriptive tax expenditure data — the granularity and classification of reported provisions; and (5) Tax expenditure assessment — the quality of revenue-forgone estimates and whether TEs are evaluated for effectiveness.

[35] AIREF, Spending Review on Tax Expenditures, July 2020. https://www.airef.es/es/estudios/estudio-beneficios-fiscales/. In English: https://www.airef.es/en/document-center/studies-document-center/tax-benefits/.

[36] For pasta and seed oil, a 5% rate was applied from 1 January 2023 to 30 September 2024; it was 7.5% between 1 October 2024 and 31 December 2024 and returned to the previous 10% afterwards. For olive oil, the rate decreased from 10% to 5% on 1 January 2023, it decreased to 0% on 1 July 2024, increased to 2% on 1 October 2024 and a reduced 4% rate applies permanently since 1 January 2025. Since 1 January 2023, a reduced 4% rate (before, 10%) applies to feminine hygiene products and contraceptives.

Spain has the largest VAT policy gap in the EU. Forgone revenues due to the application of reduced rates and national policy-driven exemptions reached nearly EUR 87 billion in 2023 ([37]). The national policy-driven VAT exemption gap ([38]) was estimated at over EUR 45 billion in 2023, or 19% of the notional ideal revenue ([39]), while the EU average was 11%. The VAT rate gap ([40]) was estimated at around EUR 41 billion in 2023, or 17% of the notional ideal revenue, higher than the EU average of 12%. Both gaps are partly influenced by the application of indirect taxes other than VAT in the Canary Islands, Ceuta and Melilla.

Tax-simulations indicate that Spain's reduced VAT rates in 2025 are concentrated in a small number of categories, as 'food and beverages' and 'restaurants and accommodation' account for 80% of forgone revenues ([41]). 'Food and beverages' accounts for the largest share of forgone revenues at 40.6%, close to the EU mean share of 39.8%. 'Restaurants and accommodation' come very close at 39.1%, almost doubling the EU mean share of 20.4%. 'Health' ranks third at 6.5%, below the EU mean share of 10.4%. These three categories account for 86.2% of Spain's total forgone revenue.

Spain's reduced VAT rates lower inequality as measured by the Gini coefficient by 0.54 pp, above the EU average reduction of 0.50 pp. 'Food and beverages' contributes 0.37 pp (68.8% of the total), above the EU mean contribution of 0.32 pp. With a roughly similar estimated budgetary impact, 'Restaurants and accommodation' contributes to 9.9% of the total.

3.3 Policy tax gaps in corporate income tax

The 2023 Tax Expenditure Report estimated forgone revenues from CIT related TEs of EUR 5.7 billion. The three largest CIT related TE provisions were:

i. Deduction of unused investment incentive balances carried forward from previous years, amounting to EUR 1.79 billion (31.4% of total TE in CIT);
ii. Tax credit for R&D and innovation activities, with an estimated value of EUR 672 million (11.8%);
iii. Reduction in the taxable base for allocations to the capitalisation reserve, estimated at EUR 609 million (10.7%).

[37] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.
[38] The national policy-driven VAT exemption gap represents the part of the VAT policy gap that can in principle be influenced by national policies on VAT exemptions. In practice, it consists of revenue forgone from services falling under Article 137 (such as real estate and certain financial services), from the SME scheme, and from national exemptions applied under standstill clauses or derogations. The VAT policy gap refers to the revenue lost due to the application of VAT exemptions and reduced, super-reduced, and zero VAT rates on selected products.
[39] The notional ideal revenue is the benchmark VAT revenue that assumes perfect taxpayer compliance in a situation where the current standard VAT rate is applied to all final consumption and household, government, and NPISH investment.
[40] The VAT rate gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of reduced, super-reduced, and zero VAT rates on selected products.
[41] The VAT rate gap is analysed here using EUROMOD's household consumption tool. No behavioural adaptation is considered. Note that VAT rates are mostly not an efficient tool for redistributive policies, in part due to incomplete pass-through to consumer prices, in part due to limited targeting of reduced rates. For more details on assessing the impacts of reduced VAT rates with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Ricci et al. (2026), Fiscal Costs and Redistributive Effects of Reduced VAT Rates in the EU, European Commission, European Economy Discussion Paper 244; Trzcinski and Amores (2026), The VAT Policy Gap and Redistribution in the European Union 2025, European Commission, Seville, JRC14876; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

Since 2024, Spain has adopted some CIT measures aimed at supporting business competitiveness. First, Law 7/2024 introduced a gradual reduction in corporate income tax rates for microenterprises and small and medium-sized enterprises. The reform applies from tax periods beginning on or after 1 January 2025. For microenterprises with turnover below EUR 1 million, the rate as from 2027 is set at 17% on the first EUR 50 000 of taxable income, and at 20% on the remainder. For entities of reduced size, generally those with turnover below EUR 10 million, the rate is set at 20% as from 2027. The reform applies from tax periods beginning on or after 1 January 2025. Second, the capitalisation reserve was further strengthened from 2025. The standard reduction in the taxable base increased from 15% to 20% of the increase in own funds and may reach 30% where employment rises sufficiently and is maintained. The measure is intended to reduce the tax bias in favour of debt financing and encourage business capitalisation.

Other recent CIT measures aim at supporting the green transition. Royal Decree-Law 4/2024 introduced free depreciation for new electric and plug-in hybrid vehicles used for business purposes, as well as for electric-vehicle charging infrastructure. The measure applies to qualifying assets entering into service in tax periods beginning in 2024 and 2025 and has subsequently been extended to 2026. It is intended to accelerate investment in low-emission mobility and the deployment of charging infrastructure. Finally, Spain extended the freedom-of-depreciation regime for renewable electricity and thermal installations used for self-consumption. The extension covers qualifying investments entering into operation in 2025 and 2026 and is subject to employment-maintenance conditions.

3.4 Policy tax gaps in personal income tax

The 2023 Tax Expenditure Report estimated forgone revenues from PIT related TEs of EUR 11.2 billion. The three largest PIT related TE provisions were:

i. Tax credit for large families or dependent persons with disabilities, amounting to EUR 1.96 billion (17.5% of total TE in PIT);
ii. Exemption of certain public pensions paid in cases of permanent total disability and severe disability, amounting to EUR 1.17 billion (10.5%);
iii. Reduction in the taxable base for joint taxation, amounting to EUR 1 billion (9.0%).

Tax-simulations suggest that PIT-related tax expenditures in Spain in 2025 have a progressive effect ([42]). PIT-related tax expenditures included in the analysis were estimated to imply revenue forgone equivalent to 27.8% of actual PIT revenues, well above the EU average of 19.1% ([43]). The largest share of revenue forgone arises from work-related TEs (15.1% of PIT revenue). The tax expenditures were estimated to reduce the Gini coefficient by 1.21 pps, substantially more than the EU average reduction of 0.46 pps.

[42] Simulations are based on EUROMOD and do not account for behavioural changes. For more details on assessing the impacts of tax expenditures in the PIT with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Leventi et al. (2026), Personal Income Tax Expenditures in the EU, European Commission, Seville, 2026, JRC148748; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[43] According to the European Commission's Taxation Trends Data, PIT revenues in Spain amounted to approximately EUR 145.9 billion in 2024. This would imply revenue forgone of approximately EUR 40.6 billion due to PIT tax expenditures according to the microsimulation (27.8% of EUR 145.9 billion).

Work-related TEs account for the largest share of revenue forgone (15.1% of PIT revenue). Work-related TEs (15.1% of PIT revenue) reduce the Gini coefficient by 0.52 pps. Family-related TEs (8.2% of PIT revenue) reduce the Gini coefficient by 0.33 pps. The measures related to family and work are progressive, providing relatively higher disposable income increases for low-income households compared to richer households. The relatively high revenue forgone of PIT related tax expenditures is associated with a correspondingly large reduction in income inequality.

Spain's PIT system envisages several non-refundable credits to support investment. Relevant examples include credits for investment in newly created companies ([44]), donations, residential energy-efficiency improvements (commented below) and the transitional credit for investment in a habitual residence. Their effective use requires sufficient tax liability and, in many cases, the capacity to undertake substantial expenditure or investment.

Spain has introduced some green incentives in recent years. Royal Decree-Law 4/2024 also targets the PIT of the self-employed and includes free depreciation for new electric and plug-in hybrid vehicles used for business purposes, as well as for electric-vehicle charging infrastructure. In addition, the temporary personal income tax deductions of 20%, 40% and 60% for residential energy-efficiency improvements remain applicable. The deductions for improvements to individual dwellings have been extended until end-2026, while the building-level energy-rehabilitation deduction applies until end-2027.

4. Effectiveness of tax administration

4.1 Registration/identification of taxpayers

Spain operates a predominantly unified tax registration and identification system. It is centred on the Tax Identification Number called NIF ("*Número de Identificación Fiscal*"), though VAT registration adds a layer of segmentation for intra-community operations. The NIF ([45]) serves as the core tax identifier for individuals and entities across PIT, CIT, and most administrative purposes, with VAT operations requiring an NIF-IVA (NIF + "ES" prefix) and intra-EU transactions mandating Register of Intra-Community Operators (ROI) registration ([46]). While the system is largely unified, VAT-specific registrations (e.g. ROI for intra-Community operators) introduce targeted segmentation. Beneficial ownership data (mandatory in general registration since 2025) and VAT group registrations enhance entity tracking, though related-party details are only required for taxpayers opting into the special VAT group regime ([47]). For certain excise goods, Spain's Register of Fiscal Warehouse Extractors (REDEF, 2023) requires operators extracting hydrocarbons or certain alcoholic beverages from fiscal warehouses to register, complementing the NIF system and strengthening identification controls in fraud-sensitive sectors.

The highly digitalised taxpayer registration and identification framework is centred on the Spanish Tax Agency (AEAT, *Agencia Tributaria*) electronic tax office ([48]). Taxpayers can complete registration-related procedures, file returns and manage interactions with the tax

[44] The so-called business angel deduction is a PIT deduction available to individuals investing in newly or recently created companies. It allows investors to deduct 50% of the qualifying investment from their central-government IRPF liability, subject to a maximum annual deduction base of EUR 100 000.
[45] https://sede.agenciatributaria.gob.es/Sede/en_gb/no-residentes/tramites-censales-que-afectan-no-residentes/nif.html
[46] Tax Agency: Identification to do business with other businesspeople within the EU: ROI, VIES, NIF-VAT and NVAT.
[47] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[48] Spain's virtual Tax Administration (AEAT) | Interoperable Europe Portal.

administration using secure electronic identification methods. The taxpayer identification system serves as the foundation for data matching, third-party reporting and integration across tax administration functions, with electronic interconnections and data-sharing mechanisms streamlining updates and improving data quality ([49]). *Censos WEB* provides guided census-registration assistance for eligible individual entrepreneurs.

E-commerce oversight integrates emerging data systems with customs collaboration, though full automation is pending. Spain uses the general NIF system, with One Stop Shop (OSS) or Import One Stop Shop (IOSS) data stored in AEAT's VAT administration systems and cross-checked against customs, Central Electronic System of Payment Information (CESOP) ([50]), DAC7 ([51]) and domestic tax data. Customs integration (within AEAT) enables enhanced data validation for imports/OSS transactions, though CESOP data is used manually as the records can only be downloaded manually ([52]).

Risk-based registration employs systematic cross-checks and post-registration monitoring. Spain conducts multi-layered risk assessments, verifying identity, legal existence, compliance history and related-party links during registration. Third-party data cross-checks (e.g. official registers) and targeted anti-fraud controls (especially for VAT/intra-EU operators) continue post-registration, with revocation/refusal of tax statuses for high-risk cases. Compliance history and fraud indicators (e.g. VAT group anomalies) further inform the tax administration's risk scoring ([53]).

Under the qualification and invalidation of VAT numbers process in Spain, risky traders are first marked as "doubtful" to trigger checks such as site visits and information requests. If invalidation is justified, precautionary deregistration may be adopted immediately where legally justified, while final deregistration or NIF revocation must comply with the applicable procedural and hearing requirements, allowing swift action on Eurofisc fraud alerts. At that point, the Eurofisc Liaison Official issues the final fraud (MTIC) classification and the invalidation simultaneously. Considering the overall procedure (qualification and simultaneous invalidation), Spain's initial risk qualification within Eurofisc is completed significantly faster than the EU average (5 days compared with 22 days). While the definitive classification of a trader as a "missing trader" may require additional verification steps, provisional risk assessments are shared with all Member States at an early stage.

4.2 Tax filing and assessment

Spain has a well-developed pre-filling system which covers PIT, VAT and partially CIT, although the scope and maturity differ substantially across taxes. Pre-filling is available for

[49] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[50] The Central Electronic System of Payment Information (CESOP) is an EU-wide system established under Directive (EU) 2020/284 to support the fight against VAT fraud in e-commerce. It requires payment service providers to report cross-border payment data on a quarterly basis to national tax authorities, which then transmit the information to CESOP. The system centralises and analyses this data, enabling Member States to detect undeclared online sales, identify fraudulent traders, and enhance administrative cooperation in combating cross-border VAT fraud.
[51] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation: automatic exchange of information on income from digital platforms.
[52] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[53] Ibidem.

PIT, CIT and VAT ([54]) with extensive draft-return pre-filling for PIT; transaction/invoice-data-based pre-filling for VAT; and more limited, administration-data-based pre-filling for CIT.

Spain's pre-filling and data integration model leverages near-real-time reporting for enhanced compliance. The system uses tax administration data, third-party information and near-real-time reporting through the Immediate Supply of Information (SII) system to generate pre-filled returns. The SII system embeds VAT data into business processes, supporting automated checks and compliance monitoring through third-party data cross-checks. This compliance-by-design framework reduces errors and compliance burdens, combining pre-filled returns with digital reporting for greater accuracy and efficiency ([55]).

Spain's 100% e-filing rates across all major taxes surpass EU standards. Spain achieves 100% e-filing compliance across PIT, CIT, and VAT, significantly exceeding the EU averages of 88.4%, 97.3%, and 99.2% ([56]). This reflects universal digital adoption for all major tax types, demonstrating a mature and efficient e-filing infrastructure.

The taxpayer support system integrates digital tools, personalised services and automated assistance for streamlined compliance. Spain offers a broad range of digital taxpayer support tools, including tax calculators, multi-channel e-services, and personalized online access through the AEAT's electronic tax office. These serve as a centralised hub for filing, payments, and notification. The system provides reminder functions, along with virtual assistant tools, though chatbot deployment is not yet uniformly integrated across all tax processes. Taxpayers benefit from guided filing processes and automated help tools, supported by a warning system on data accuracy to minimize errors ([57]).

Spain makes thorough use of data obtained through the automatic exchange of information (AEOI), under the Directive on administrative cooperation in the field of taxation (DAC) ([58]), i.e. DAC1 ([59]), DAC2 ([60]), and DAC7 ([61]), for personal and corporate income taxation purposes. The identification of taxpayers concerned in Spain is very efficient: in 2025, the matching rate measuring success in identifying registered taxpayers with DAC data ([62]) is 93% for main categories of DAC1 ([63]), 98% for DAC2 and 94% for DAC7 (over the EU-average: 84%; 92% and 86% respectively). This systematic approach ensures that data is used to its full potential. The TIN validation tool envisaged in the DAC recast proposal will further support the

[54] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.
[55] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[56] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB
[57] OECD (2025), Tax Administration 2025: Comparative Information on OECD and other Advanced and Emerging Economies, OECD Publishing, Paris, https://doi.org/10.1787/cc015ce8-en.
[58] Sources: Yearly Assessment 2026.
[59] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC: automatic exchange of information on income from employment, pensions, director's fees, immovable properties, life insurance products, royalties.
[60] Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on financial accounts.
[61] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation: automatic exchange of information on income from digital platforms.
[62] The matching rate indicates to what extent a Member State has been able to identify their taxpayers in their national tax databases with information received from other Member States under the DAC. Such matching is necessary to ensure that the data can be used for tax compliance purposes. The matching rates mentioned in this report are based on the metrics approved by the tax authorities in the TADEUS meeting of December 2024.
[63] Income from employment, pensions, director's fees, immovable properties.

matching process with a view to approaching a 100% automatic matching rate, ultimately allowing Spain for a more efficient and targeted deployment of resources. Once the taxpayers have been identified, Spanish tax authorities use the available data for a large range of activities: awareness raising campaigns, voluntary compliance programs, prefilling tax returns, tax risk assessment to detect possible undeclared income ([64]), notification to generate disclosure and, if relevant, tax assessments or general audits. In Spain, this use is not only relevant for personal income tax, but also for detection of undeclared professional activities, as tax authorities use the most recent exchange of information on income from digital platforms (DAC7). This leads to an increase in the tax base assessed and the tax assessed: the AEAT publishes details regarding the use of international data in its annual tax audit report ([65]). The 2025 results report EUR 261 million assessed on 809 taxpayers for whom DAC2/CRS/FATCA information was available. DAC1-related extensive controls generated more than EUR 26 million in assessments and late returns across more than 12 000 cases.

Spain has been relatively less active in VAT administrative cooperation ([66]). In 2024, Spain sent 599 requests for information and received 1237 requests ([67]). Based on a standardised measure, taking into account the relative size of the Spanish economy, Spain is significantly below the EU weighted average on the number of requests sent and below the EU weighted average on the number of requests received ([68]).

Spain records limited results in automatic exchange of VAT information. In 2024, Spain reported 3 212 VAT identification numbers allocated to taxable persons not established in the Member State. About information on new means of transport, Spain has not forwarded any cases. Based on a standardised measure, taking into account the relative size of Spanish economy, Spain is below the EU weighted average on VAT identification numbers allocated to taxable persons not established in the Member State ([69]).

4.3 Compliance risk management

Spain's compliance risk management system (CRM) is data-driven, with near-real-time monitoring for fraud prevention. The AEAT operates a comprehensive CRM strategy using diverse data sources. The previously mentioned Immediate Supply of Information (SII) provides near-real-time VAT invoice data. Spain has introduced requirements for accounting, invoicing and

[64] Tax risk assessment is a key element of modern tax administration. It allows tax authorities to identify situations where specific taxpayers or arrangements may pose an increased risk to their jurisdiction and require further actions in terms of compliance. In general, EU tax authorities use automated methods based on domestic data and information received from other jurisdictions.

[65] https://sede.agenciatributaria.gob.es/static_files/Sede/Actualidad/Notas_prensa/2026/Presentacion_Resultados_AEAT_2025.pdf

[66] Based on Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (VAT), as subsequently amended, the EU and Member States' national tax authorities cooperate to help ensure the correct application of VAT rules on cross-border transactions.

[67] The data is assessed based on the annual statistics, provided pursuant to Commission Implementing Regulation 79/2012 (Annex IV) and presented to the Standing Committee on Administrative Cooperation (SCAC).

[68] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Spain sent 0.37 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.60 requests sent per EUR 1 billion of GDP; and received 0.77 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.59 requests received per EUR 1 billion of GDP.

[69] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Spain reported 2.01 VAT identification numbers allocated to taxable persons not established in the Member State per EUR 1 billion of GDP compared to an EU weighted average of 7.77 VAT identification numbers per EUR 1 billion of GDP.

management software to ensure the integrity, traceability and preservation of records, preventing unauthorised alterations or omissions.

Spain uses AI to identify high-risk taxpayers and prompt compliance. The AEAT employs AI-driven tools to detect taxpayers with a higher probability of non-filing or errors (e.g. refund discrepancies). Automated letters are sent to these taxpayers, encouraging them to correct their declarations. This approach operates under a human-in-the-loop framework, ensuring ethical and transparent use of AI, with a focus on proactive compliance rather than enforcement ([70]).

Spain employs practical behavioural tools to encourage compliance. The Spanish Tax Agency uses proactive compliance tools such as pre-filling, guided filing, validation checks and digital monitoring to reduce errors and simplify tax obligations, catering also for validation checks (e.g. QR codes for invoice verification) to prompt taxpayers correcting mistakes early ([71]).

Spain also uses reports exchanged automatically under the DAC, i.e. DAC3 ([72]), DAC4 ([73]) and DAC6 ([74]) for risk-analysis purposes in the field of corporate income taxation. The Spanish tax authorities identified successfully 99% of the taxpayers concerned by DAC3 and DAC4 reports, and 100% of the taxpayers concerned by DAC6. DAC3, DAC4 and DAC6 reports are broadly used for risk-assessment (i.e. to identify risks related to transfer pricing, base erosion and profits shifting, harmful tax practices, etc) and possible follow-up actions as general tax audits. In practice, the data feeds as risk indicators into a specific corporate IT tool performing joint analysis. This comprehensive use of the relevant data suggests that the Spanish authorities have successfully integrated it into an efficient process, which should be improved even further with the ongoing implementation of the monitoring system of the use of DAC6 reports.

Spain's compliance risk management excludes automated CESOP integration and VAT gap analysis. CESOP data is used as part of the tax authority's risk management processes, in accordance with the data access and usage provisions defined under the EU CESOP Regulation. VAT gap analysis is not conducted because Spain's national account data lacks independence from tax records, compromising accuracy. Instead, compliance trends are assessed by comparing tax figures with macroeconomic indicators, as outlined in the 2024–2027 Strategic Plan ([75]).

4.4 Audits

Spain's audit system combines selective inspections with broad desk controls to address varied compliance risks. The Tax Agency conducts inspection control actions for sophisticated

[70] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

[71] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Spain, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/6806819.

[72] Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on rulings and advanced pricing arrangements.

[73] Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on country-by-country reports of multinational entities.

[74] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.: automatic exchange of information on potentially tax-harmful cross-border arrangements.

[75] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

fraud (e.g. complex evasion schemes) through the Special Delegations (Territorial Offices in the Autonomous Communities) and Large Taxpayers Office (LTO), focusing on high-risk taxpayers. The LTO, which includes a High-Net-Worth Individual programme, handles 25% of total revenue with 4% of FTEs (74.7% dedicated to audit/verification). Desk controls, both general and targeted (e.g. simplified regime, large taxpayers) use IT systems to detect errors remotely, relying on available data and limited accounting reviews. Tax audits specifically target complex evasion and fraud. This multi-tiered approach ensures comprehensive coverage, from broad error correction to in-depth fraud investigations. Spain uses AI primarily for taxpayer assistance and fraud prevention, not audit investigation ([76]).

Spain's Large Taxpayer Office (LTO) targets high-value taxpayers. The LTO, which includes a High-Net-Worth Individual programme, handles 25% of total revenue with 4% of FTEs (74.7% dedicated to audit/verification), demonstrating targeted efficiency.

Spain makes limited use of advanced instruments of administrative cooperation provided for in Directive on administrative cooperation in the field of taxation and Regulation 904/2010 to facilitate cooperation on specific cross-border VAT issues. Such instruments entail multilateral controls (MLCs) such as simultaneous controls, joint audits and presence in administrative offices and administrative enquiries (PAOEs). The synergies between participating Member States derived from these coordinated activities usually lead to an increase in the tax assessed and, therefore, contribute to reduce the tax gap. Between 2023 and 2025 Spain has initiated one MLC and has participated in eight MLC and one PAOE, representing respectively 1%, 2,7%, 7.2% and 1% of the total of these operations ([77]).

4.5 Payment and collection

Spain achieves full electronic tax payment adoption, though cash payments remain permitted ([78]). Since 2018, 100% of tax payments were made electronically, well above the EU average of 94.9%. Spain also performs clearly above the EU average on on-time payment (96.3% for CIT versus an EU average of 89.8%, 94.5% for PIT versus 79%, and 85.5% for VAT versus 83.7%) Cash payments of tax debts are still possible in Spain, but only within strict legal limits.

As regards VAT refunds, since 2019 Spain links the refund process to VAT registration and identity checks to prevent fictitious traders from entering the VAT system ([79]). However, the time taken to pay or offset VAT refunds is still not routinely monitored. Since 2019, Spain also has a legally established penalty system for late filing and late payment, but its effectiveness is not analysed in a systematic way ([80]).

[76] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Spain, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/6806819.
[77] EU AIAC Statistics -2023-2025.
[78] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.
[79] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[80] Ibidem.

4.6 Tax debt recovery

Spain's debt recovery system demonstrates strong domestic performance with a low arrears ratio. However, cross-border responsiveness and insolvency cooperation present areas for improvement.

Spain maintains one of the EU's lowest arrears levels, supported by a structured recovery plan and data-driven risk strategies. The closing stock of arrears stood at just 6.7% of total revenue in 2024 (vs. EU average: 30.7%), with 87.0% of arrears deemed collectable – a stable positive trend since 2021 ([81]). A formal tax recovery plan and annual recovery reports guide enforcement, while common rules for all tax types enable optimised debt management. Since 2025, Spain has deployed advanced data analytics to predict non-payment risks, allowing specialised teams to triage debts and apply large-scale recovery actions ([82]). An evaluation loop refines strategies based on outcomes, though no dedicated insolvency cooperation legislation exists ([83]). Write-offs occur only when enforcement is definitively impossible, ensuring rigorous collection efforts. There is no disaggregated information on how long it takes to solve tax disputes (at administrative level or before a court) which usually prevent or suspend the recovery of contested tax claims, nor on (administrative or judicial) appeal stages ([84]). The Spanish law does, however, allow the tax administration to take precautionary measures before there is an assessment/title, without a prior court order, subject to the statutory conditions and procedural safeguards.

Regarding cross-border recovery assistance within the EU, Spain submits compliant requests to other Member States. Spanish recovery requests to other Member States generally comply with requirements ([85]), focusing on well-established claims. Only 16 recovery requests were suspended in 2025, while 1 689 requests for recovery were sent to other Member States in the same year ([86]). Spain has integrated the use of DAC information from in its recovery strategy, which is considered as best practice.

[81] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.
[82] OECD (2025), Tax Administration 2025: Comparative Information on OECD and other Advanced and Emerging Economies, OECD Publishing, Paris, https://doi.org/10.1787/cc015ce8-en.
[83] Spain's replies to questions 34-36 of the 2025 survey on tax recovery.
[84] Spain's replies to questions 12 and 13 of the 2025 survey on tax recovery.
[85] Statistics on rejections of requests, reported by Spain as applicant State, relating to recovery assistance in 2025.
[86] Statistics on the suspension of recovery requests, sent by Spain as applicant State, following contestation of the claim, for 2025.