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COMMISSION STAFF WORKING DOCUMENT

Mind the Gap Report
Challenges and opportunities for tax compliance and tax expenditure in the EU

Spain

EN EN

Country fiche: Spain

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength

- **Spain's tax administration shows good results in terms of digitalisation.** Advanced IT tools used by the tax administration help manage compliance, prevent fraud and assist taxpayers efficiently. Digitalisation also contributes to enhancing transparency, streamline compliance and strengthening control over tax collection. Among others, it allows the tax administration to generate pre-filled tax returns, cross-check declarations, detect fraud and provide taxpayers with guidance, personalized information and assistance programs aimed at simplifying compliance, such as free online filing tools, pre-filled tax returns or in person assistance.

- **Despite recent increases, Spain's VAT compliance gap remains comfortably below the EU average.** Spain has traditionally outperformed other Member States with regards to the VAT compliance gap, on the back of the efforts of the tax administration to combat fraud, facilitate compliance and digitalise its tools and procedures. However, the fast-growing trend since 2021 raises some concerns and needs to be monitored.

Areas for Improvement

- **Monitoring of tax expenditures (TEs) is fragmented and, at central government level, discontinued since 2022.** Monitoring of TEs in Spain is done ex ante, through estimates of expected foregone revenues, in the TEs report accompanying the draft budget. The production of the report at central government level responds to a constitutional mandate, but the latest public report dates back to 2022. Although regional governments prepare their own monitoring reports, there has been an attempt to coordinate the structure and quantification of all TEs in the country through the creation of a working party where the central and regional authorities share common practices. Nevertheless, the total number of TEs is not known, at aggregate level, which contributes to the rather poor ranking of Spain in the Tax Complexity Index. Despite some recent evaluations (notably, from the Independent Fiscal Institution, AIReF), there is no systematic approach to assess the effectiveness of TEs.

- **Spain has the largest VAT policy gap in the EU.** Despite part of the high policy gap is explained by the special regime in Canarian Islands, Ceuta and Melilla, the extensive use of reduced VAT rates is a policy option that plays a crucial role. Overall, there is room to streamline the use of tax benefits in the country, by improving evaluation, transparency and targeting. Tax reforms in the context of the Recovery and Resilience Plan could contribute to delivering results.

- **Spain's efforts to monitor compliance gaps are so far focused on the area of VAT and, to a lesser extent, PIT.** Spain does not produce, for the moment, gap estimates in the area of corporate income tax (CIT), while those on personal income tax (PIT) are not public.

1. Snapshot of Tax System: Tax Revenues and their Sources

Spain's tax burden remains below the EU average, with increasing contributions from labour taxation. In 2023, total tax revenues amounted to 36.5% of GDP compared to the EU-27 average of 39.0% ([1]). The gap with EU average has been reduced since 2017. The largest source of tax revenues were labour taxes, which represented 51.7% of total tax revenues (compared to 51.2% in the EU-27). This share had increased by 3.3 percentage points since 2018. Revenues from capital taxes also accounted for a higher percentage of total taxation (23.6% in Spain) than in the EU-27 (21.9% on average). By contrast, the share of consumption taxes in Spain's tax mix (24.7%) was one of the lowest in the EU-27 (26.9% on average). Looking into certain tax types, VAT revenue in Spain was significantly below the EU average both as share of total (17.5% vs 18.3%) and as share of GDP (6.4% vs 7.1%). Spain also underperformed with regards to environmental taxes (1.6% of GDP in 2023, compared to 2.0% in the EU-27), although some new environmental taxes have been introduced in recent years.

Stability of tax revenues is being scrutinised under the European Semester. The described imbalances in Spain's tax mix, against a backdrop of a persistent government deficit and high levels of public debt, led the Council to adopt a recommendation in 2025 to "further strengthen fiscal sustainability by reviewing and simplifying the tax system, including by shifting part of the tax burden from labour towards environmental, consumption and immovable property taxation" ([2]). In the context of the Recovery and Resilience Plan (RRP), Spain had committed to deliver a tax reform that permanently increased tax revenues by at least 0.3 percentage points of GDP, including increases in the diesel tax. An incomplete implementation of this reform led to a payment suspension of EUR 475 million of the disbursement of the fifth instalment of the nonrepayable support ([3]).

Income inequality in Spain remains high, and the tax-benefit system shows limited redistributive capacity. Progressivity of labour taxation in Spain is roughly in line with the EU-27 average, with a difference of 7.9 percentage points in the tax wedge ([4]) between high-income (167% of average wage) and low-income earners (67% of average wage). The tax-and-benefit system reduced the Gini coefficient by 6.9 points in 2023, below the EU average of 7.7 points ([5]). The Gini index for equivalised disposable income is significantly above the EU-27 average (31.2% in 2024, against an EU average of 29.3%) ([6]). Moreover, the at-risk-of-poverty or social exclusion rate is, at 25.8% in 2024, among the highest in the EU-27 (average of 21.0%), with the strongest incidence on children ([7]).

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[1] Data on tax revenues are based on European Commission: Data on Taxation Trends, edition 2025 (reference year 2023). The 2026 edition (reference year 2024) will be published in the first quarter of 2026. Preliminary data point to an increase of total tax revenues to 36.8% of GDP in 2024: https://doi.org/10.2908/GOV_10A_TAXAG.

[2] Council of the European Union (2025): Council Recommendation on the economic, social, employment, structural and budgetary policies of Spain.

[3] See Commission Implementing Decision of 31 July 2025.

[4] The tax wedge is defined as the sum of personal income taxes and employee and employer social-security contributions net of family allowances, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer). Data are based on European Commission, DG ECFIN: Tax and Benefits Database.

[5] European Commission, DG EMPL calculations based on EU-SILC survey data.

[6] European Commission, Eurostat [ilc_di12]

[7] European Commission, Eurostat [ilc_peps01n]

2. Monitoring of Policy Gaps

2.1. Overview

Monitoring of compliance gaps in Spain is, for the moment, focused on VAT and PIT. A tax gap team is in place in Spain since 2021, working in compliance gaps in VAT and PIT. Like most of EU countries, Spain does not publish an overall tax gap. For its tax gap estimation practices in the area of PIT, the tax administration uses a top-down approach, generally based on national accounts data to estimate the size of the tax base and the theoretical tax liability. Within a Tax Administration EU Summit (TADEUS)/FISCALIS project group, Spain, through its Tax Authority – AEAT, "Agencia Estatal de Administración Tributaria" –, takes part in the subgroups working on the development of a common approach to estimate the tax gaps for CIT, PIT and Missing Trader Tax Gap ([8]). Every year, the Spanish Tax Agency (Agencia Tributaria) publishes a report on its activities and performance. The last rapport refers to 2024 ([9]).

2.2. Monitoring VAT Compliance Gap

In 2023, Spain's VAT compliance gap ([10]) increased to 7.5% of the VAT Total Tax Liability (VTTL) ([11]), equivalent to almost EUR 8 billion ([12]). This places Spain almost 2 percentage points below the EU average of 9.5% but represents for the second year a considerable increase compared to 2021 (when it was still at less than 3%). The VAT compliance gap has therefore returned to its pre-pandemic levels of 2019 (nearly 8%). Preliminary estimates of 2024 for Spain point to a further increase to almost 10%.

Structural changes in the economy could explain the recent increases in the VAT compliance gap. The services sector increased its share in gross value added by 0.7 percentage points in 2023, while industry and manufacturing contracted due to weaker external demand, supply disruptions and high energy costs. Moreover, consumption of recreational services, restaurants, and accommodation has expanded strongly in nominal terms, by 43% year-on-year in 2022 and 13% in 2023. Tourism demand, measured by nights spent in tourist accommodation, grew by an exceptional 74% in 2022 and moderated to 7% in 2023. As services (including tourism) are typically more prone to non-compliance, this shift may have negatively affected VAT compliance.

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[8] See European Commission: Directorate-General for Taxation and Customs Union. (2025). *Towards a common approach to tax gap estimation in the EU: Fiscalis Project Group 008 : final report*. Publications Office of the European Union. https://data.europa.eu/doi/10.2778/3068071.

[9] https://www3.agenciatributaria.gob.es/Sede/informacion-institucional/memorias/memoria-2023.html

[10] The VAT compliance gap is an estimate of revenues lost due to VAT fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.

[11] 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.

[12] 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.

Bankruptcies rose by 12.3% in 2023, following a period of decline, and increased further in 2024 (+19%). Since the VAT compliance gap captures losses from insolvencies, these dynamics have likely contributed to the worsening of the VAT compliance.

In 2023, VAT losses due to Missing Trader Intra-Community (MTIC) fraud ([13]) were estimated at around EUR 1 300 million in Spain, marked by a moderately increasing trend. While experiencing some fluctuations over time, the VAT losses due to MTIC fraud have increased by around EUR 200 million between 2010 and 2023 ([14]).

2.3. Personal and Corporate Income Tax Compliance Gap and Measures of the Shadow Economy

The Spanish tax administration estimates the PIT compliance gap using a top-down approach, although estimation results are not publicly disclosed ([15]). Long time ago, think-tank FEDEA ([16]) estimated the fraud in Income Tax in 2008 of around EUR 20 000 million a year, i.e. 1.7% of the GDP ([17]). In turn, the European Commission is not aware of any CIT compliance gap estimation activities in Spain at the time of writing of this document.

European Commission estimates suggest a moderate 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, the CIT compliance gap of Spain was at around 11.9% of collected CIT revenues in 2016 (using the GVA-based methodology) ([18]). Based on the same methodology, the (unweighted) average for the CIT compliance gap is 10.9% of collected CIT revenues based on available estimates for 23 Member States.

The size of the shadow economy in Spain is slightly below the EU average. In 2022, the shadow economy in Spain represented 15.8% of its GDP, according to estimates by Schneider, F. and Asllani, A.

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[13] Missing Trader Intra-Community (MTIC) fraud is a form of VAT fraud that exploits VAT-free cross-border trade within the EU. Fraudsters purchase goods VAT-free from another Member State, sell them domestically, charge VAT to their customers, and disappear before paying this VAT to the tax authorities.

[14] European Commission, CASE, Poniatowski, G., Śmietanka, A., and Skowronek, A., *VAT compliance gap due to Missing Trader Intra-Community (MTIC) Fraud – Final Report Phase II*, Publications Office of the European Union, Luxembourg, 2024, https://data.europa.eu/doi/10.2778/6433841.

[15] OECD Tax Administration Report 2024.

[16] Fundación de Estudios de Economía Aplicada

[17] 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

[18] European Commission: Directorate-General for Taxation and Customs Union (2025), *The Corporate Income Tax Gap, A European approach to measuring losses in corporate tax revenues*, Publications Office of the European Union, https://data.europa.eu/doi/10.2778/0541549. The JRC has recently developed a novel approach to estimate the CIT gap based on National Accounts and existing data on the undeclared economy, providing approximations of the CIT gap for a majority of EU Member States. JRC's estimations are based on the exhaustiveness adjustments made to Gross Operating Surplus (GOS), Gross Value Added (GVA) and Gross Domestic Product (GDP), that national statistical offices perform to account for non-observed economy. The JRC approach does not capture CIT gaps associated with tax avoidance and (international) profit shifting, which would require other estimation methods.

for the European Parliament ([19]). This ratio is slightly below the EU-27 unweighted average (17.6%), thanks to a steady decline in recent years (19.2% of GDP in 2012). Among the main drivers of the shadow economy, the mentioned report attributes the major impact to unemployment and self-employment. The European Labour Authority -ELA ([20]) estimates that wage employment accounts for 53% of undeclared labour input in Spain and self-employed for 47%. At sectoral level, the ELA report includes agriculture and construction among the most affected. Other sources show that over a third of workers could be unregistered in the sector of personal and household services ([21]). To reduce the incidence of the shadow economy in the short-term residential rental market, Spain has been one of the first Member States in transposing the EU Regulation 2024/1028, on data collection and sharing by platforms.

2.4. Other Compliance Gaps

There is currently no public information or evidence that Spain estimates other tax compliance gaps. There are no official programmes or published figures for compliance gaps related to excise duties, environmental or energy taxes, or capital taxes.

3. Monitoring of Policy Gaps

3.1. Tax Expenditures

Spain used to provide an annual projection on tax expenditures until 2022, in compliance with a constitutional mandate ([22]). In its article 134.2, the Spanish Constitution explicitly mandates listing the tax expenditures as part of the annual budget law, that must be submitted every year to the Parliament. As a result, since 1996, the annual budget law used to be accompanied by a tax expenditure report. As such, the reporting was based in projected (not actual) foregone revenues. The tax expenditure report was presented for the last time in October 2022, as part of the 2023 Budget Law ([23]). The Spanish Government has not submitted a new draft budget to the Parliament ever since.

Monitoring of tax expenditures in the context of the state's budget law only covers foregone revenues at central government level. 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

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[19] European Parliament (2022), *Taxation of the informal economy in the EU.* https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf

[20] European Labour Authority (March 2023): *Factsheet on undeclared work – Spain.* https://www.ela.europa.eu/sites/default/files/2024-02/ES-UDW_factsheet-2023-fin.pdf

[21] González Gago, E. and Carrandi Cortina, R. (2018). *Labour Market Policy Thematic Review 2018. An analysis of Personal and Household Services to support work life balance for working parents and careers. Spain*. European Centre of Expertise (ECE) in the field of labour law, employment and labour market policy

[22] https://app.congreso.es/consti/constitucion/indice/titulos/articulos.jsp?ini=134&tipo=2

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

by the central government. As a result, TEs established at regional or local level, in the exercise of devolved competences, remains out of the scope of the report. In parallel, Autonomous Regions usually prepares an annual tax expenditure accompanying their draft regional budgets, in a process with many features in common with that followed at central level. Comprehensive results that aggregate TEs at the different territorial levels are not available. There has been an attempt to coordinate the structure and quantification of all existing TEs in the country through the creation of a working party where the central and regional authorities share common practices.

Tax expenditures in the area of VAT accounted for more than half of all tax expenditures budgeted by the central government in 2023. The 2023 Tax Expenditure Report ([24]) estimated tax expenditures for 2023 at EUR 45.3 billion, or 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. 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 (5.6% of the total), including excise duties, non-resident taxes, tax on insurance's premium, etc.

There is no process for regular TE evaluation, but many provisions were evaluated 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 ([25]). 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; 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.

Spain has an outstanding reform on tax expenditures in the context of the Recovery and Resilience Plan. Milestone 386 of Spain's RRP provides for a regulatory reform of tax expenditures that shall be estimated at the time of their entry into force to permanently increase revenues by 0.1 percentage points of GDP. The entry into force of the reform is due by the end of 2025 and shall derive from an in-depth analysis of existing reviews, including those of AIReF.

3.2. VAT Policy Gap

The VAT policy gap ([26]) in Spain was the highest in the EU average in 2023, estimated at 59% of the notional ideal revenue ([27]) (reaching almost EUR 150 billion), compared with the EU average

[24] Link to 2023 Tax Expenditure Report

[25] 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/

[26] 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.

of 50.5% ([28]). The high share of the VAT policy gap is influenced by the application of indirect taxes other than VAT in Canary Islands, Ceuta and Melilla, which partially compensate by the local indirect taxes applied in these territories. The VAT policy gap increased by 1 percentage point compared to 2022, but preliminary estimates point to a similar decrease for 2024. Although recent changes may have resulted from legislative changes, Spain has traditionally had one of the highest VAT policy gaps in the EU.

The national policy-driven VAT exemption gap ([29]) was in 2023 the largest in the EU. It amounted to almost 19% of the notional ideal revenue, more than 7 percentage points above the EU average (11.5%). This represents an increase in Spain of 1.5 percentage points compared to 2022 (around 17%). Despite fluctuations, the national policy-driven VAT exemption gap in Spain has traditionally remained above the EU average. That was also the case in 2019 (16%, compared to the EU average of 10%).

In 2023, Spain's VAT rate gap ([30]) was 4 percentage points above the EU average. It was estimated at 16.5% of the notional ideal revenue (around 12.5% in the EU) and in increased by more than 1 percentage point compared to 2023. For 2024, preliminary estimates point to a slight decrease of the VAT rate gap to 16%. Legislative changes and the temporary introduction of reduced VAT rates introduced to cope with the inflationary crisis seems to explain the oscillation. There has also been an increase when comparing with pre-pandemic times (it was 15% in 2019). The VAT gap rate in Spain has systematically remained above the EU average.

Preferential VAT rates have overall a progressive effect in Spain. A simulation of the distributive impact of preferential rates using EUROMOD for 2019 finds that preferential VAT rates have a positive redistributive effect in Spain ([31]).

Reducing the VAT policy gap could contribute to long-term fiscal consolidation. According to the International Monetary Fund ([32]), there is scope to raise revenues by 1.5 percent of GDP while enhancing economic efficiency by broadening the VAT base, limiting exemptions, and harmonizing rates across goods and services. To do so, the IMF suggests fully compensating lower-income households through targeted labour tax wedge cuts or transfers as needed.

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[27] 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.

[28] 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.

[29] 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.

[30] 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.

[31] Turrini, A., Guigue, J., Kiss, Á., Leodolter, A., Van Herck, K., Neher, F., Leventi, C., Papini, A., Picos, F., Ricci, M., Lanterna F.; (2024). Tax Expenditures in the EU: Recent Trends and New Policy Challenges. European Economy-Discussion Papers, (212).

[32] See Staff Report of the 2025 Article IV Consultation on Spain.

4. Effectiveness of Tax Collection and Recovery Systems

4.1. VAT Collection

Spain has been advised to better verify the applicant's identity (ID) and to consider revisiting their provisions on legal verification of VAT registrations ([33]). Following it, in 2023 Spain introduced a precautionary removal from the Register of intra-community operators under certain circumstances ([34]). In 2025, the Spain has started to create a census of e-commerce operations. Spain also has a compliance risk plan and a compliance risk register ([35]).

Nevertheless, Spain shows strong performance or good practices in most areas:

- Spain endeavoured to have more comprehensive information of taxpayers opting for the (M)OSS Scheme, such as previous registrations and use of the (M)OSS scheme; ·queries about persons deregistered owing to change of MSI; ·search by identification number for multiple registrations (more than one Member State); ·verification of whether or not the business has a fixed establishment in the country; ·bank account data.
- Spain cleans its (M)OSS database through ex officio deregistration. It also carries out tax audits on taxpayers opting for the (M)OSS Scheme.
- Spain makes its compliance plan fully transparent/public and available to taxpayers, making the document publicly available, including broad information on the compliance plan.
- Spain provides the following services to taxpayers: a publicly available service delivery channel strategy or a catalogue of services offered to taxpayers, procedures ensuring regular and systematic updates of information on VAT rules for taxpayers, information on VAT rules available in foreign languages, a dedicated information channel for MOSS, service delivery standards in relation to the time taken to respond to taxpayers' enquiries and simplified record-keeping and reporting arrangements available to small taxpayers.
- To make the VAT administration more effective, supporting informed decisions, the senior management regularly receives reports. To reduce the VAT gap Spain has implemented successful measures such as the implementation of online cash registers, electronic reporting, trade control, e-audit and standardisation, transaction-based reporting, risk management, including segmentation and behavioural profiling or data-driven techniques leading to risk scoring and automated ranking.
- Spain has high on-time filing rates, close to 100%. It maintains a flexible IT subsystem to manage and prioritise VAT arrears with a strong performance. It also has a strong performance in cooperative compliance arrangements.
- Spain's accounting systems interface with other accounting systems and include procedures to systemically review the taxpayer record to correct any eventual accounting errors.

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[33] Commission's Ninth Report on VAT Administration, EUR-Lex - 52022DC0137 - EN - EUR-Lex, p.11.
[34] https://www.boe.es/buscar/act.php?id=BOE-A-2023-8576#a3
[35] Commission's Ninth Report on VAT registration, collection and control procedures following Article 12 of Council Regulation (EEC, EURATOM) No 1553/89, EUR-Lex - 52022DC0137 - EN - EUR-Lex. / Answers to the survey sent to the Member States in June 2025 in view of the Tenth Report on the same subject matter.

4.2. Tax Recovery

The percentage of outstanding tax arrears in Spain is relatively low. Pending debt at the end of 2023 was of EUR 42 036 million (an increase of 4% compared to 2022). According to ISORA, in 2023 the percentage of tax arrears for Spain is 7.1% of the total net revenue collected, well below the EU average of 30.7% ([36]).

Spain has a tax recovery plan and publishes a regular tax recovery report. Spain has an internal control exercised within the Central Liaison Office CLO-recovery on the timely and effective execution of assistance requests received from other Member States. The deadlines in providing mutual assistance on cross-border recovery are largely respected with minor exceptions. Spain applies common rules for the recovery of all taxes, which means that the accrued amount of the debt is managed as a whole. This allows for an optimized planning of the recovery action. -.

4.3. Use of Directive on Administrative Cooperation (DAC) ([37]) Instruments and Data ([38])

Spain makes a comprehensive and efficient use of DAC1 ([39]) and DAC2 ([40]) data for assessing taxation on individuals. DAC1 (categories of income) ([41]) and DAC2 (financial accounts) data is currently used for awareness campaigns, domestic risk assessment analysis ([42]), and audits limited to specific categories of income or capital. Data is mainly used in the field of personal income tax, leading to substantial increases in the tax assessed. Spain uses also the information from DAC1 and DAC2 for tax recovery purposes, which is particularly relevant to reduce the tax gap. DAC data is crosschecked with the national database of debtors to set a list of taxpayers holding assets abroad (immovable property, bank accounts). After an evaluation of the relevance for international recovery measures, requests for assistance for recovery of tax claims are then sent to relevant Member States in order to seize the assets concerned. The Spanish tax authorities are also one of the few countries in the European Union to publish an annual report on the use of data from automatic exchanges. This is a very positive practice, which contributes to the deterrent effect of this instrument.

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[36] Source: ADB, CIAT, IOTA, IMF, OECD, International Survey on Revenue Administration, Indicators: "Closing stock of arrears at year end as percentage of total revenue collected." and "Closing stock of collectable arrears as percentage of closing stock of arrears", http://isoradata.org

[37] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, as subsequently amended.

[38] Source: Yearly Assessment 2025, EU AIAC Statistics 2024 – Subject to confidentiality clause on DAC art. 23a.

[39] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC.

[40] 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.

[41] Income from employment, Director's fees, Pensions, Immovable properties.

[42] Risk assessment: tax risk assessment is a key element of modern tax administration. It allows tax authorities to identify indicators that suggest 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. Yet, a manual element may remain, as (i) tax authorities vary in terms of whether tax risk assessment is conducted centrally by a specialist risk assessment team incorporating input from the compliance function, or locally by the compliance team (or tax inspector); (ii) some data types remain challenging to be automatically processed, e.g. literal summaries.

DAC data matching rates concerning individuals in Spain are above the EU average ([43]). For the year 2024, the average matching rate measuring success in identifying taxpayers with DAC data is close to 94% for DAC1 ([44]), and 98% for DAC2, much higher than the EU-average which are at 84% and 87% respectively. Spain has also put in place a system that allows the matching process to continue in subsequent years, even when taxpayers are not immediately identified, increasing the success rate over time.

Spain uses DAC3 ([45]) (rulings) and DAC4 ([46]) (country-by-country report) data systematically for risk-analysis purposes in the field of corporate income taxation. The percentage of reports identified successfully in 2024 is very high: 100% for DAC3, 98% for DAC4, leading to systematic use of information. In accordance with the goals of DAC3, notifications of an existing advanced pricing agreement or a ruling are included in the domestic risk assessment tool as part of the set of indicators that may lead to further investigations on the taxpayers concerned. Similarly, DAC4 reports are systematically processed to feed the national database for risk analysis. The reports including DAC3 and DAC4 data are used for assessing risks on transfer pricing, base erosion and profit shifting matters, economic and statistical analysis, and audits limited to specific categories of transactions (e.g. transfer pricing).

The use of DAC6 ([47]) follows the same approach as DAC3 and DAC4. The whole data set available for identifying the relevant taxpayers is used by Spain, leading to a total matching rate of 100% in 2024. DAC6 data is mainly used for risk assessment, including assessing high-level risk of tax-harmfulness of the reported arrangements, notification to generate disclosure, general audit, or audit limited to specific categories of transactions (e.g. transfer pricing). Information relevant for transfer pricing issues is systematically included in the aforementioned. domestic risk analysis tool. Spain also carries out specific analysis on the other arrangements, in order to assess the relevance of further enquiries.

Spain makes active use of other advanced cooperation instruments provided by the DAC such as simultaneous audits. Looking at the past three years, Spain initiated one simultaneous audit and was involved in 2024 in 11 other cases initiated by other Member States, being a relatively active users of these tools among the Member States. The tax revenues derived from these coordinated activities help to reduce the tax gap.

In conclusion, Spain uses the data obtained from the automatic exchange of information in coherence with the objectives of the DAC. It does so based on a systematic approach in terms of risk analysis, which leads to substantial revenues, thus demonstrating that the good practices put in

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[43] 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.

[44] Average rate for Income from employment, Director’s fees, Pensions, Immovable properties.

[45] 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.

[46] 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.

[47] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automati exchange of information in the field of taxation in relation to reportable cross-border arrangements.

place have positive effects**.** Particularly advanced in processing and using DAC data related to individuals, Spain also makes systematic use of DAC data linked to companies, in order to improve the impact of these exchanges of information on corporate income tax. Spain also makes appropriate use of advanced cooperation tools like simultaneous audits.

5. Digitalisation and Compliance

5.1. Digital Transformation, Skills, and Culture

Spain has developed a strategy for digital transformation and has identified the future skills required by the administration for a successful digital transformation. There is no separate strategy to build a digital culture within the administration ([48]). Under the España Digital 2026 agenda, Spain has launched a major programme to modernize public administrations, including the Tax Agency. A Public Administrations Digitalisation Plan 2021-2025 ([49]) defines 17 measures to transform administrative services, including tax services, with enhanced accessibility, efficiency and digital transformation.

To facilitate taxpayers' understanding of tax regulations and provide a framework of legal certainty, the Ministry of Finance is developing the 'BUC Project' (Single Tax Knowledge Base). This initiative focuses on making the results of the interpretative function embodied in the rulings issued by the Directorate-General of Taxes, the resolutions of the Economic-Administrative Cours, and the judgments of the Administrative Courts, all available to the public ([50]). The digitized information is structured around the relevant legal provisions, with open and free access for citizens and institutions, and is expected to contribute to improving the efficiency of the tax administration.

The AEAT Strategic Plan 2024-2027 ([51]) prioritizes the deployment of Artificial Intelligence and data analytics to improve fraud prevention, taxpayer assistance and operational efficiency. The plan commits to ethically governed AI use, based on principles such as transparency, human oversight, data security, equity and responsibility. Citizens have the right not to supply documents already held by a public authority. Public administrations must verify and fetch required data themselves with the citizen's consent.

5.2. Front-end Digitalisation

5.2.1. Pre-filling

Spain provides pre-filling services for PIT. Through the *Renta Web* and *Renta Directa Platforms* and the related apps, the "borrador" (draft PIT tax return) is automatically generated using information

[48] CIAT, IOTA, IMF, OECD, International Survey on Revenue Administration, https://data.rafit.org
[49] Plan de Digitalización de las Administraciones Públicas
[50] Single Tax Knowledge Base
[51] AEAT, Plan Estratégico 2024-2027

already held by the Agencia Tributaria. It is possible to access, review, amend and submit the tax return online with a digital certificate, "Cl@ve" ([52]), or reference number.

There are also pre-filling facilities for VAT. VAT-registered companies receive a pre-filled draft VAT return via the "*Pre303"* service. It allows manual adjustments before submission.

Spain does not provide pre-filling facilities for CIT. Although some data is automatically generated using information already held by the Agencia Tributaria, including data from the VAT Immediate Supply System when applicable. It allows manual adjustments before submission.

According to a recent Eurobarometer Survey, 51% of citizens in Spain find it very easy or fairly easy to complete their tax return, placing them 14th among EU Member States ([53]).

5.2.2. E-filing

It is compulsory to submit the CIT, VAT and PIT electronically. Therefore, 100% of the tax returns were e-filed for each tax type in 2023 compared to EU average of 97.1% in CIT, 87.1% in PIT and 99.2% in VAT ([54]). The Supreme Court ruled on 11 July 2023 that this obligation was illegal with regard to the PIT declaration of 2018. To address this, article 96.5 of the PIT Law was modified by Real Decreto-Ley 8/2023 ([55]).

Since then, the Spanish Tax Administration offers assistance for the completion of PIT returns. Taxpayers (natural persons) can get an appointment in the Spanish Tax Offices to get the assistance of a civil servant for the completion of the PIT, either by phone or onsite in the tax offices. An internal evaluation has confirmed that that the services offered has allowed to keep the obligation to submit PIT returns electronically.

5.2.3. Provision of other online Services

Spain's Tax Agency provides other online services. They include the payment gateway, the service *RENØ* to obtain the number of references, *Cl@ve*, the App "Agencia Tributaria", the support service to submit the income tax return online (*Renta Web* and *Renta DIRECTA*), the support service to submit a PIT return prepared by the TAX Agency for a voluntary correction, thereby avoiding a control procedure ("Complementaria calculada"). Online tools also include the appointment service, the video-assistance service and other online procedures. According to a recent Eurobarometer survey, 52% of

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[52] Cl@ve Homepage

[53] European Commission: Directorate-General for Taxation and Customs Union and Directorate-General for Communication, *Citizens' attitudes towards taxation – Eurobarometer report*, European Commission, 2025, https://data.europa.eu/doi/10.2778/6066713.

[54] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB

[55] Third Final Provision and Sixth Additional Provision of Real Decreto-Ley 8/2023, of 27 December, modifying article 96.5 of Ley 35/2006, of 27 November: https:www.boe.es/eli/es/rdl/2023/12/27/8/con

citizens in Spain believe that support for filing tax returns provided by the tax administration is either fully adequate or mostly adequate, placing them 10th among EU Member States ([56]).

5.3. Back-end Digitalisation

5.3.1. Use of Artificial Intelligence by the Tax Administration

The Spanish Tax Agency has developed an artificial intelligence service ([57]) to provide personalized information automatically. The AI work of the Spanish Tax Agency started in 2017 with the development of the VAT digital reporting tool known as Immediate Supply of Information ("SII", in Spanish), which was later extended to the whole area of VAT. The positive experience gained from these tools has made it possible to extend this instrument to PIT and CIT, through the implementation of various Virtual Assistants ([58]).

The 'Virtual Assistant for the SII System' was the first virtual assistant developed. This tool allows users to obtain answers interactively and in natural language to questions related to the SII. In connection with it, another assistant is also operational: the SII deadline calculator, which allows users to calculate deadlines for submitting invoice records. Like in the other Virtual Assistants, if additional information is needed, users have the possibility to access the 'Informer' which offers structured information blocks or to contact specialists via chat or a written inquiry (Informa+) to obtain personalized information.

The 'Virtual VAT Assistant' allows users to obtain information on numerous issues related to this tax. Tools like the deadline corrective invoices, the real estate qualifier, which lets users check the taxation of an operation under VAT or ITP, and the 'locator' tool for service provision and delivery of goods are also operational, enabling users to determine where an operation is located and where VAT applies.

Artificial intelligence is also used to prevent taxpayer errors when modifying the amount provided by Renta Web in their labour income. In the Income Tax Campaign, artificial intelligence is also used for a letter campaign aimed at those taxpayers with a higher probability of not filing their return and are working on specific groups with unique characteristics to contact, for example, taxpayers who have been calculated a refund lower than the one requested, inviting them to use Renta Web to submit a declaration that corrects the situation by reducing the initial refund request.

The Spanish Tax Agency developed an Artificial Intelligence Strategy and an Ethical Commitment in 2024. This Strategy ([59]) was approved by the Management Board of the Tax Agency,

[56] European Commission: Directorate-General for Taxation and Customs Union and Directorate-General for Communication, *Citizens' attitudes towards taxation – Eurobarometer report*, European Commission, 2025, https://data.europa.eu/doi/10.2778/6066713.

[57] https://sede.agenciatributaria.gob.es/Sede/gobierno-abierto/transparencia/informacion-institucional-organizativa-planificacion/inteligencia-artificial.html

[58] It must be noted that while Virtual Assistants for SII, VAT and PIT actually use AI, other supporting tools such as the locator, informer or calculators, do not. Link to tools of Virtual Assistants in the Spanish Tax Administration.

[59] https://sede.agenciatributaria.gob.es/Sede/ayuda/herramientas-asistencia-virtual.html

based on the responsibility principle and envisages a human centric approach based on a methodology that ensures quality, security and governance.

Other improvements: Upgrades have also been made in the confirmation of the tax address to facilitate the correction and subsequent confirmation of addresses retrieved from the Land Registry using their cadastral reference ([60]). The Spanish Tax Agency is currently involved in a digitalisation project to interconnect applications with the administrative courts and State Attorney's Office and automatize data flows with the aim to improve the interactions in the appeal procedures with administrative and judicial courts.

5.4. Compliance Risk Management

5.4.1 Compliance Risk Management Strategy

There is a formal compliance risk management (CRM) strategy ([61]). The Tax Agency develops preventive and control actions to ensure the correct application of the tax and customs systems, which has a planned and programmed approach. Thus, every year, the Annual Plan of Tax and Customs control provides the general guidelines that inspire it. CRM is understood as a process that analyses non-compliance risk throughout the life cycle of the taxable event. For each compliance risk defined the Tax Agency intends to determine in what phase of the life cycle of the taxable event it can be mitigated or avoided and the type of action to develop. Such actions may include:

- Before the declaration: improve the assistance for the taxpayer's profile and send nudge letters.
- At the moment of declaration: inform taxpayers of errors detected, incentivize the self-correction of such errors.
- After the declaration: initiate desk or field control procedures.

The effectiveness of the fight against tax fraud is based on the selection of taxpayers who have incurred tax risks. This selection of taxpayers is possible thanks to the advanced information system available to the Agency ([62]). They make use of big data and analytical tools to create risk profiles, detect patterns of fraudulent conduct by debtors and actions to combat collection fraud.

5.4.2 Audit Types

The control actions developed can be selective or directed to the generality of taxpayers. The differentiation is established by the fiscal risk that it is appreciated.

Inspection control actions aim to detect and regularize the most complex non-compliances and pursue the most sophisticated forms of fraud. Their selective nature means that they focus on taxpayers who present a higher fiscal risk. These actions are carried out by the Special Delegations and

[60] Agencia Tributaria. *Memoria 2023*. https://www3.agenciatributaria.gob.es/Sede/informacion-institucional/memorias/memoria-2023.html
[61] Agencia Tributaria. *Memoria 2023*.
[62] Agencia Tributaria. *Memoria 2023*. p.44.

by the Central Delegation of Large Taxpayers. It generally requires an exhaustive review of the taxpayer's tax situation targeted by the inspection action.

Desk controls aim to detect and correct errors and non-compliances that are complex and affect the generality of taxpayers with annual campaign opportunities, with strong support in the available information and in the computer system that analyses it. It implies formal and documentary controls, with a limited review of the accounting records of the taxpayers ([63]) and is carried out remotely from the Tax Administration. It is carried out by the corresponding bodies of the Special Delegations, the Central Delegations of Large Taxpayers and the National Office of Tax Management. Desk control actions on large companies include, among others, the verification of previous developments in tax regulation and carrying out data verification and limited verification actions. In 2023, nearly 1.9 million desk control actions were carried out. The amount collected from them was EUR 16 708 million (a 0.2% increase compared to 2022). This represents a ratio of fraud collection of 646 795 € per employee ([64]).

The following types of tax controls can be identified:

- Tax audits on internal taxes. Its purpose is to detect complex evasion schemes and fraud. It focuses on taxpayers with the higher tax risk.
- Desk control on all taxpayers. It largely relies on the available information and the IT system that analyses the information.
- Desk control on taxpayers in the simplified tax regime (income tax and VAT)
- Desk control on large taxpayers.

In 2023, almost 1.9 million control activities of the internal taxes were carried out. This represents an increase of 1% compared to 2022. Out of this figure, 44 776 programmed activities (13.7% more than in 2022) targeted large enterprises ([65]).

In serious cases of fraud, the audit actions can result in a report sent to the Public Prosecutors' Office. This also includes cases of serious obstruction to the tax collection. In 2023, 152 rapport of tax fraud were submitted to the Public Prosecutor. The total amount of fraud identified was EUR 819.6 million ([66]).

5.4.3 Staff Dedicated to Audit, Investigation and Other Verification Functions

Spain devotes a large share of full-time equivalents (FTEs) to audit functions. In 2023, 43.4% of FTEs in the Tax Agency were assigned to audit, (EU average of 32.2%). The situation has remained stable in recent years, as in 2018, the share was 44.2% (EU average 32.1%) ([67]).

[63] Just to cross-check data on the books and information in hands of the Tax Agency.
[64] Agencia Tributaria, *Memoria 2023*, p.9, 44.
[65] Agencia Tributaria. *Memoria 2023*, p. 46.
[66] Agencia Tributaria. *Memoria 2023*, p.45.
[67] Own elaboration based on ISORA Database

5.4.4 Additional Revenue from Audits as a Share of Total Revenue

In 2022 ([68]), 6.61% of the total net revenues were raised from audits and other verification activities, three times the EU average (2.20%). There has been a slight decline since 2018 (6.94% of the total, compared to the EU average of 2.77%.), probably due to the increase of voluntary compliance ([69]).

The following types of tax audits had a significant relevance in 2023 ([70]):

- Control of big estates. 999 audits were carried out, resulting in an amount of EUR 502 million.
- Hidden sales. 2 317 audits, resulting in an amount of EUR 466 million.
- Unit of IT Audit. 1 512 registers
- International Taxation: 327 audits.

5.5. Tax Complexity

Spain ranks 24th out of the 27 Member States in the Tax Complexity Index ('TCI') ([71]), where a higher rank corresponds to lower tax complexity. The TCI is based on the Global MNC Tax Complexity Project, a joint research project of Deborah Schanz (LMU Munich) and Caren Sureth-Sloane (Paderborn University). The TCI 2024 places Spain 14th among the Member States with regards to Tax Framework Complexity, and 25th with regards to Tax Code Complexity. This suggests a poor performance of Spain both in terms of the tax processes carried out by the tax authorities (notably in the area of appeals, according to the authors), and specially in terms of the structure of the tax regulations (particularly in the area of group treatment, according to the authors).

[68] No data on additional revenues from audits for 2023
[69] Own elaboration based on ISORA Database
[70] Agencia Tributaria, Memoria 2023, p.47.
[71] See: https://www.taxcomplexity.org/ The aim of the Global MNC Tax Complexity Project is to identify the determinants of tax complexity, to develop and maintain an index measuring the level of tax complexity across countries [Tax Complexity Index, TCI] and to examine the effects of tax complexity. The Tax Complexity Index measures the complexity of a country's corporate income tax system as faced by multinational corporations. The closer a country is to the first position of the ranking, the lower level of complexity it exhibits, and vice versa.