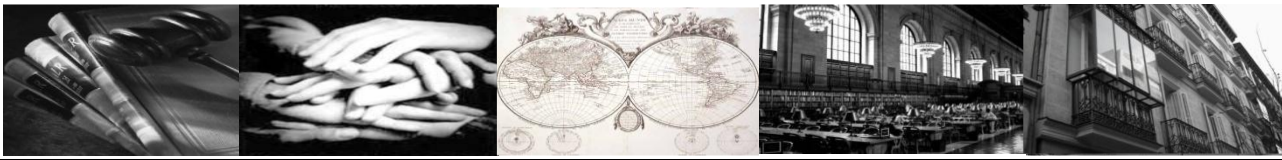
ALAE ABOGADOS

December 19st, 2014



Summary

New tax reform

A new deep tax reform has been approved by the Spanish Congress of Deputies and published on 28th November 2014, which will come into force on 1st January 2015, although some modifications will be applicable during 2015 and 2016 gradually. The main Laws affected by the reform are the followings:

▪Law 26/2014 amending the IRPF (Personal Income Tax) and the consolidated text of IRNR (Non Resident Income Tax), and also modifies other as the law regulating the Inheritance and DonationTax.

•Law 27/2014 on Corporate Income Tax.

•Law 28/2014 amending VAT, the IGIC and the IISS.

The most remarkable changes are:

A) Personal Income Tax (IRPF):

A reduction of the tax burden, where the sections and the types of the General Scale are reduced, and the familiar minimum are increased. The minimum rate drops from 24.75% to 20% in 2015 and 19% in 2016, while the maximum tax rate goes from 52% to 47% in 2015 and 45% in 2016, varying income brackets within each applicable rate depending on the section in which it is.

The new law creates tax benefits for large families (more than three children) and handicapped persons, also includes an exemption for capital gains for people over 65 years from the sale of its primary residence if its destination is the constitution of an annuity that includes pension.

Furthermore, the law provides a reduction in the taxation of savings, so that, the income received in dividends which were paying depending on the section in that they may be: i) Up to 6,000 Euros, taxation drops from 21% to 20% in 2015, and 19% in 2016; ii) From 6,000 Euros to 50,000 Euros, taxation drops from to 22% in 2015 and 21% in 2016; and iii) From € 50,000, the tax rate will stand at 24% in 2015 and 23% in 2016.

B) Non-Resident Income Tax (IRNR)

The changes are the result of adaptation to new types of income tax, as well as of the corporate income tax, the reference changes since they are outdated, and some technical improvements to adapt the rule to the European Community case-law.

C) Corporate Income tax

The law applies significant changes as the general tax rate, which drops from 30% to 28% in 2015 and 25% in 2016, keeping for Newcos the reduced rate of 15% for the two first positive periods.

The standard tax rate is equalized for small

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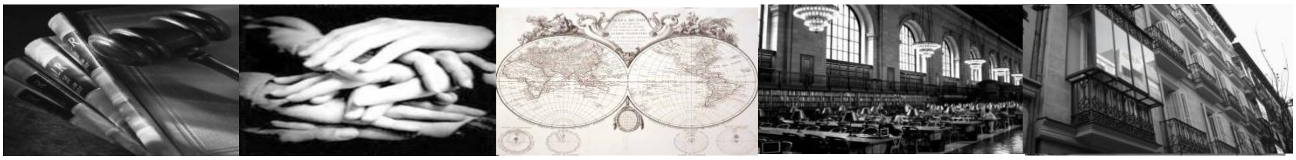


and medium companies and it is maintained the tax rate of 30% for credit institutions.

D) Value Added Tax (VAT):

Remarkable is the rule locating services of telecommunications, broadcasting and electronic, provided that for recipients who are not considered to be entrepreneurs or professionals, who are pay in destination from 2015.

Other modifications respond to the purpose of adopting tax regulation to certain resolutions issued by the European Court of Justice, like the modifications introduced in the special regime for travel agents.

Finally, other measures are linked to the fight against tax fraud are regulated by the law, as it is the establishment of new cases in which the rule will apply to the reverse charge system.

E) Tax on Inheritances and Donations:

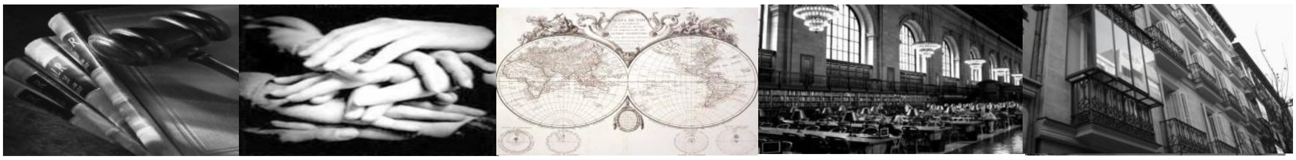
Certain modifications are carried out in order to incorporate resolution issued by European Court of Justice, on 3rd September 2014 (Case C 127/12) in relation to the place of taxation.

On the other hand, an important amendment affecting the distribution of Share Premium or Social Capital among partners and shareholders has been incorporated to the law. The general rule responds to the proceeds of income from capital returns that will reduce the value of acquisition until the cancellation of shares or accepted shares, which will be paid the excess as such returns.

However, it is reviewed the tax treatment of capital reductions with return of contributions and distribution of premium capital of shares. The purpose is that the part thereof corresponding to reserves generated by the entity during the holding period of participation is paid on analogous way than those cases where such reserves have been distributed directly from the results of the sale of subscription rights. It becomes a homogeneous treatment between listed and unlisted companies.

As a consequence of the above mentioned, since 2015, when the difference between the value of the Net Equity for the shares corresponding to the last closed financial year prior to the date of distribution of the premium (relating to securities admitted to trading) and their acquisition value is positive, the amount purchased or the market value of the assets or rights received will be considered investment income to the limit of the positive difference. The excess of this limit will decrease from the acquisition value of the shares.

As such, the own funds will be reduced in the profits dispersed before the distribution, proceeding from reserves which are included in these own funds, as well as from the



unavailable reserves which are included therein, generated prior to the acquisition.

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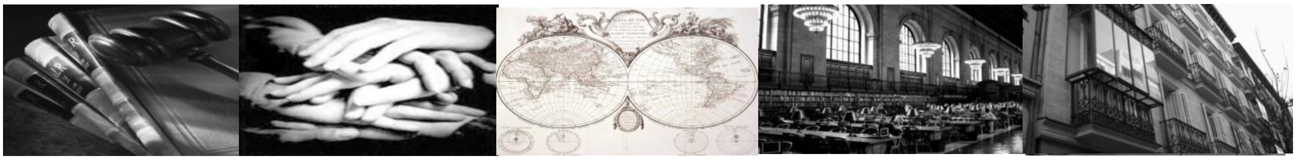

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CONCEPT	**2015**	**2016**
Professional withholding with underperformed at €15,000	15 %	15%
Withholding of professionals (general)	19 %	18 %
Withholding of Managers of small institutions (turnover of less than €100,000)	20 %	19 %
Withholding of Managers (general)	37 %	35 %
Savings income. Investment income	20 %	19 %
Withholding of taxpayers who start out activities in the tax period of initiation of activities and in the next two, as long as they had not performed any professional activity in the year preceding the date of commencement of activities.	9%	9%
Leasing (1)	20%	19%

(1) Law 27/2014. Art. 128.6.a) and transitional provision thirty-fourth ñ).

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