

# ANALYSIS

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Tax

## Tax measures contained in Royal Decree-law 7/2026 approving the Comprehensive Plan to Address the Crisis in the Middle East

Following its ratification by the lower house of Parliament, this paper analyses the main tax measures contained in Title III of Royal Decree-law 7/2026, dated 20 March, which incorporates a wide range of tax incentives to combat the economic and social consequences arising from the energy crisis caused by the recent outbreak of war in the Middle East.

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## 1. Introduction

By means of the Decision of 26 March 2026 (published in the Official Journal of Spain on 28 March), the lower house of Parliament has approved Royal Decree-law 7/2026, of 20 March, approving the Comprehensive Plan to Address the Crisis in the Middle East, which entered into force on 22 March 2026.

This paper analyses the main tax measures contained in Title III of the aforementioned Royal Decree-law, which incorporates a wide range of tax incentives to combat the economic and social consequences arising from the energy crisis caused by the recent outbreak of war in the Middle East.

The package of tax measures consists, first, of various incentives in the area of direct taxation of individuals and companies to reduce dependence and promote energy savings and efficiency, electric mobility, and support for self-consumption and investment in renewables. Second, it includes a set of extraordinary and temporary measures applicable to energy taxation and indirect taxation aimed at reducing the tax burden on products particularly affected by rising prices. Lastly, certain changes are made to various local taxes.

## 2. Tax measures in the field of direct taxation

### 2.1. Personal income tax

Article 36 of Royal Decree-law 7/2026 extends the time frame for various tax incentives aimed at promoting energy

efficiency and electric mobility, and establishes a new deduction to encourage renewable self-consumption:

- *Extension of deductions for energy efficiency improvement work on residential properties:*

Effective 1 January 2025, the fiftieth additional provision of Personal Income Tax (IRPF) Act 35/2006 of 28 November is amended as follows:

- The deadline for carrying out work that qualifies for the 20% and 40% deductions for reducing heating and cooling demand or for improving the consumption of non-renewable primary energy in residential properties is extended until 31 December 2026. Likewise, the deadline for carrying out energy retrofitting work on buildings used predominantly for residential purposes, which allows for a 60% deduction of the amounts paid for such work during that period, is extended until 31 December 2027.
- Consistent with the above, the maximum deadlines for issuing energy efficiency certificates are extended. For the 20% and 40% deductions, certificates must be issued by 1 January 2027. For the 60%

deduction, by 1 January 2028.

- However, the existing maximum deductible base limits for each of these deductions remain in effect.
- *Extension of the deduction for the purchase of plug-in and fuel cell electric vehicles and charging points:*

Effective 1 January 2026, the fifty-eighth additional provision of the Personal Income Tax Act is amended to extend, through 31 December 2026, the 15% deduction on the purchase price of new plug-in and fuel cell electric vehicles. The deduction remains applicable both when the vehicle is registered within the specified period and when a down payment is made for the future purchase representing at least 25% of the vehicle's purchase price, provided that the purchase is completed within the two immediately preceding tax periods. However, the maximum deduction base remains at EUR 20,000.

- *Deduction for the installation of renewable self-consumption systems:*

Effective 1 January 2026, a new sixty-second additional provision is added to the Personal Income Tax Act, regulating a new deduction for the installation of rene-

wable self-consumption systems, which will be subtracted — like those mentioned previously — from the total state tax liability before allowances or credits. Its main features are as follows:

- A deduction of 10% of the amounts paid from 1 January through 31 December, 2026 is allowed for the installation during that period, in a property owned by the taxpayer, of systems intended for the self-consumption of electricity that use energy from renewable sources. The deduction increases to 20% of the amounts paid when the dwellings are located in buildings used predominantly for residential purposes.
- The maximum annual base for both deductions — which are mutually exclusive for the same installation carried out on the same property — is EUR 5,000 per annum. The basis for the deduction consists of the amounts paid — through means that ensure payment traceability — to the persons or entities performing the installation, minus any amounts that, where applicable, have been subsidized — or are to be subsidized pursuant to a final grant de-

cision — through a public aid program. Under no circumstances shall amounts paid in cash entitle the taxpayer to claim the deduction.

- Amounts paid for the installation of self-consumption systems are considered to be those necessary to carry out the installation, such as investment in equipment and materials, installation costs, and construction work required for the project.
- The deduction will be applied in the tax year in which the installation is completed, which may not be later than 2026. Furthermore, its application requires the authorisations and permits established by current legislation, in particular the electrical installation certificate (CIE), in accordance with the Low-Voltage Electrotechnical Regulations (RD 244/2019 of 5 April).
- These deductions will not apply when self-consumption systems are used for an economic activity. If, after their acquisition or installation, they are used for a business activity, the right to the deduction will be forfeited.

- The deduction for the installation of renewable self-consumption systems is incompatible with deductions for energy efficiency improvement work on residential properties regarding the same installation carried out on the same property.

## 2.2. Corporate income tax

With the same purpose as the previous measures, Article 37 of Royal Decree-law 7/2006 extends the temporary application of certain cases of accelerated depreciation linked to investments in renewable energy and in electric mobility and charging infrastructure for business activities:

- *Free depreciation for investments using energy from renewable sources:*

Effective for tax periods beginning on or after 1 January 2025, and not yet concluded at the time of the Royal Decree-law's entry into force, the seventeenth additional provision of the Corporate Income Tax Act 27/2014 of 27 November is amended, extending free depreciation for investments utilizing energy from renewable sources to those that become operational in 2026, as well as to thermal facilities for self-consumption that utilize energy from renewable sources and replace facilities using fossil fuels.

The application of accelerated depreciation remains conditional on maintaining the entity's average workforce during the twenty-four months following the start of the tax period in which the assets become operational. The maximum investment amount eligible for this regime remains set at EUR 500,000. Furthermore, the exclusion of buildings is maintained.

Small businesses may choose between this special scheme for renewable energy facilities or the general accelerated depreciation scheme.

- *Free depreciation for certain vehicles and new charging infrastructure:*

Effective for tax periods beginning on or after 1 January 2025, and that have not yet ended as of the effective date of the Royal Decree-law, the eighteenth additional provision of the Corporate Income Tax Act is amended to extend free depreciation for investments in new FCVs, FCHVs, BEVs, REEVs, or PHEVs attached to business activities.

The same temporary extension applies to new electric vehicle charging infrastructure, both standard-power and high-power, attached to business activities. The application of this measure remains subject to compliance with the requirements for

submitting the required technical documentation and obtaining the installation certificate issued by the competent devolved ('autonomous') region.

### 3. Energy taxation and indirect taxation

Articles 38 through 42 of Royal Decree-law 7/2026 establish an exceptional and transitory reduction in energy taxation and indirect taxation that will apply generally from the entry into force of the Royal Decree-law until 30 June 2026. However, as these are exceptional measures, the reductions in tax rates during the month of June 2026 for the hydrocarbon tax, the excise duties on electricity, and the value added tax are contingent upon the evolution of the consumer price index for the affected products. Along with the aforementioned changes, a new exemption is also introduced for the transfer tax.

- *Temporary reduction of hydrocarbon tax rates:*

To mitigate the effects of rising energy prices, the tax rates applicable to various energy products regulated under rate 1 of Article 50(1) of the Excise Duties Act 38/1992 of 28 December are temporarily reduced until 30 June 2026.

According to the explanatory notes to Royal Decree-law 7/2026, the reduction in the tax rate for the most widely consumed products — diesel and unleaded gasoline — brings that tax rate to the minimum level permitted by Council Directive 2003/96/EC of 27 October 2003 restructuring the

Community framework for the taxation of energy products and electricity. The same applies to other products such as fuel oil, liquefied petroleum gas (LPG), natural gas, and kerosene used as fuel.

However, the regulation provides that if, in April 2026, the change in the consumer price index for transport fuels does not exceed 15% compared to the index for the same month of the previous year, according to information published in May by the Spanish Office for National Statistics, the tax rate reduction will cease to apply in June.

As a supplementary measure, the twelfth additional provision of Royal Decree-law 7/2026 requires service areas and other retail fuel supply establishments to adequately publicize these measures. To this end, without prejudice to the use of their own signage and corporate designs, they may use the template available for download from the website of the State Tax Agency.

- *Temporary suspension of the partial refund for commercial diesel:*

Effective from the entry into force of the Royal Decree-law until 30 June 2026, the rate of the partial refund of the hydrocarbon tax on commercial (i.e., for professional use) diesel provided for in Article 52a(6) of the Excise Duties Act shall be zero euros. This temporary elimination prevents the coexistence of the partial refund mechanism and the reduction of tax rates for the same tax.

- *Temporary reduction in the excise rate on electricity:*

In response to the situation caused by rising electricity prices, the excise rate on electricity is being reduced from 5.11269632% to 0.5%. As a result of this reduction, the resulting rates may not be lower than those established in the aforementioned Directive 2003/96/EC: EUR 0.5 per megawatt-hour if such electricity is used for industrial purposes, on vessels berthed in port that are not private pleasure craft, or in rail transport; or 1 euro per megawatt-hour when the electricity supplied or consumed is intended for other uses.

As is the case with the reduction applicable to hydrocarbon tax rates, the tax reduction analysed here may expire in June 2026 if the change in the consumer price index for electricity for the month of April does not exceed by more than 15% that of the same month of the previous year.

- *Temporary reduction in the determination of the tax base and the amount of payments in instalments for the tax on the value of electricity production:*

In order to offset the higher costs being borne by companies that set the price of electricity in the wholesale market, certain reductions are established in the method of calculating the tax base for the tax on the value of electricity production (IVPEE). Specifically, for the 2026 tax year, the tax base shall consist of the total amount due to the taxpayer for the production and injection

into the electricity system of electricity, measured at the plant's busbars, for each facility, during the tax period, reduced by 10% of the remuneration corresponding to the electricity fed into the system during the first calendar quarter, and reduced by 100% of the remuneration corresponding to the electricity fed into the system during the second calendar quarter.

The same logic applies to the calculation of payments in instalments: thus, the instalment payment for the first quarter will be calculated based on the value of electricity production, measured at the power plant, and fed into the power grid from the start of the tax period through the end of the first three months of the year, reduced by 10% of the amount of remuneration corresponding to the electricity fed into the system during that calendar quarter, with a tax rate of 7% applied (Art. 8 of the Fiscal Measures (Energy Sustainability) Act 15/2012 of 27 December). In contrast, the instalment payments for the second, third, and fourth quarters include both the 10% reduction linked to the first quarter and the 100% reduction of the remuneration for the second calendar quarter.

In order to ensure the system's balance, the regulation expressly provides for compensating the electricity system for an amount equivalent to the reduction in tax revenue resulting from this tax measure, up to a maximum limit of the amount necessary to achieve a balance between the revenues and expenses associated with the electri-

city system's charges. On an extraordinary basis, during the 2026 fiscal year, EUR 450 million will be allocated to the electricity sector's settlement system to offset the modification of the tax on the value of electricity production (fourteenth additional provision of RDL 7/2026).

Finally, the thirteenth additional provision of Royal Decree-law 7/2026 provides that the Spanish Markets and Competition Authority shall carry out the necessary settlement to adjust the remuneration derived from the subsidy payments regime, deducting the amounts not paid as a result of the reduction in the tax base of the aforementioned tax.

- *Temporary reduction of the applicable value added tax rate on certain intra-EU supplies, imports, and acquisitions of energy products:*

At the same time, with regard to value added tax, as an extraordinary and temporary measure through 30 June 2026, the tax rate applicable to intra-EU supplies, imports, and acquisitions of electricity made for clients under electricity supply contracts with a fixed power capacity of less than 10 kilowatts is reduced to 10%, and for recipients of the social energy tariff who are recognized as severely vulnerable or severely vulnerable at risk of social exclusion. According to the explanatory notes to the Royal Decree-law, this means it applies to virtually all end-consumer households and, in particular, to the most vulnerable consumers.

Likewise, the tax rate applicable to natural gas, briquettes, and pellets derived from biomass, and firewood, as well as to gasoline, diesel, and bio-fuels intended for use as transport fuels covered under various subheadings of Tariff 1 of Article 50(1) of the Excise Duties Act, is reduced to 10% with the same period of validity.

In all cases, the tax rate reduction may cease to apply in June 2026 if, according to data from the Spanish Office for National Statistics published in May, the change in the consumer price index for electricity, gas, or transport fuels for April does not exceed by more than 15% that of the same month of the previous year.

As a measure complementing the reduction to 10% of the value added tax rate applicable to gasoline, diesel, and biofuels intended for use as transport fuels, the twelfth additional provision of Royal Decree-law 7/2026 requires service areas and other retail establishments supplying fuels to publicize this measure in the same manner as the publicity required for the temporary reduction in hydrocarbon tax rates.

- *Exemption from transfer tax of energy savings transfers:*

Royal Decree-law 7/2026 adds, with indefinite effect, a new paragraph 37 to Article 45(1)B of the revised version of the Transfer Tax Act (approved by Royal Legislative Decree 1/1993 of 4 September), thereby including among the exemptions the transfer of energy savings within the framework of the

energy savings certificate system regulated by Royal Decree 36/2023, of 24 January, establishing an energy savings certificate system.

#### 4. Municipal powers and local taxes

The second final provision of Royal Decree-law 7/2026 amends Article 25(2) of the Local Government System Act 7/1985, of 2 April, in order to incorporate, a new subparagraph (p) among the municipalities' own powers, relating to the "promotion of and participation in citizen energy communities and renewable energy communities that contribute to achieving environmental, economic, or social benefits in the municipalities where they operate, as well as the promotion of energy transition actions such as energy efficiency, electrification, and the promotion of self-consumption".

Furthermore, with the aim of promoting electrification and the use of renewable energy, Articles 43 and 44 of Royal Decree-law 7/2026 introduce various adjustments, effective indefinitely, to several local taxes:

- *Business Activity Tax:*

Subparagraph A of paragraph 1 of Rule 14 of the Tax Rate Instructions is amended to clarify which elements constitute the 'installed capacity' to be included in the tax base and which do not. In this regard, the capacities of all elements not directly related to production — including those used for the transformation and rectification of electricity — shall not be included in the tax base. The amendment confirms

that, in addition to furnaces and boilers operating on solid, liquid, or gaseous fuels, electric furnaces and boilers will not be considered for these purposes.

- *Property tax:*

Paragraph 5 of Article 74 of the Local Public Finances (Recast) Act is amended to expand the scope of the discretionary tax credit of up to 50% of the total tax liability for real estate properties on which systems have been installed for the thermal or electrical use of energy derived from the sun or ‘ambient energy’. In addition, local tax ordinances are authorised to establish different rebate percentages, without exceeding the legal maximum limit of 50%, in the case of the transfer of spaces for the installation of energy utilization systems whose use or ownership is associated with energy communities.

- *Tax on Construction, Installations and Works:*

Similarly, the scope of the discretionary tax credit of up to 95% of the tax liability is expanded to include constructions, installations, or works that incorporate systems for the thermal or electrical use of solar energy or ‘ambient energy’. To this end, letter

b of subarticle 2 of Article 103 of the Local Public Finances (Recast) Act is amended.

## 5. Final considerations

The tax measures approved by Royal Decree-law 7/2026 combine incentives aimed at the electrification of the economy, energy savings and efficiency, electric mobility, and the promotion of renewable energy with short-term measures designed to temporarily alleviate energy taxation. Individuals and businesses that may benefit from this range of measures must pay attention to their temporary application — and, where applicable, possible extension — and their potential compatibility with the receipt of public subsidies, and will need to make the necessary adjustments regarding contracting, billing and compliance with tax obligations.

In particular, it should be noted that the temporary reductions in taxes on hydrocarbons, electricity, and value added tax may not necessarily remain in effect until 30 June 2026, due to the early reversal mechanisms contingent on changes in the consumer price index, as mentioned above. This circumstance introduces a certain degree of operational complexity for companies when verifying whether the reductions remain applicable or not, requiring adjustments to accounting and billing systems.