

IN 2 MINUTES

Tax Incentive to Recovery (IFR)

As a result of the extinction of the tax benefit of CFEI II, which took effect in late 2020 and early 2021, the IFR (Tax Incentive to Recovery) is now in force for the year 2022.

What is IFR?

This is a tax benefit applicable to companies, which consists in deducting from the tax, a percentage of the investment made.

What kind of investment does it apply to?

It applies to investments related to the exploitation of the company's activity, acquired in a new state. (There are exclusions, such as passenger cars). (See our News 07|2022, july 27)

Duration?

This new benefit is effective from 1 July 2022 until 31 December 2022.

And the benefit, how is it calculated?

In practice, companies can deduct directly from the collection of tax, 10% of the total value of the investment (up to the average value of the last 3 years) and 25% (after this amount), up to the limit of 70% of the collection.

Confused?

Let's go to the practical example, to understand the practical effect on your company!

1	Year	Investment made	2	Investment in 2022	
	2021	16 850,00 €		Computers, keyboards, PC mouse, etc	17 500,00 €
	2020	24 750,00 €		Basic equipment machines and tools	14 500,00 €
	2019	45 000,00 €		Total	32 000,00 €
	Total	86 600,00 €			
Average		28 866,67 €	3	Amount to deduct from tax	
			(10% * 28,866,67 euros)		2 886,67 €
			((32.000-28.866,67)*25%)		783,33 €
			Total	3 670,00 €	

Now you must ask yourself:

"What is the impact these amounts have on paying IRC?"

Well, disregarding the effect of payments on account and the effect of autonomous taxation, (which will be equal in both scenarios), the effect of the benefit applied to the investment is, as pictured below, notorious!
Look at the difference!

Scenario 1 - No Benefit		Scenario 2 - With Benefit			
Profit for the year	30 000,00 €	Profit for the year	30 000,00 €		
Collection	5 300,00 €	Collection	5 300,00 €		
IRC to pay	5 300,00 €	Deduction of tax benefit (IFR)	3 670,00 €	Limite: (5.300*70%)	
		IRC to pay	1 630,00 €		

The investment made by the company in the company itself thus translates into a **reduction** of tax payable to the State of **3,670 euros**.
That said, we clearly realize the effect of this benefit on your company's **tax savings!**

What did you think of the benefit?

Note: In IFR it will be necessary to ensure the maintenance of jobs in the beneficiary companies for three years, as well as the non-distribution of dividends for a period equal to three years, starting from 01/07/2022.