June 2025

b-today
Law and Economics

Non - performing loans
Family business exemption
Permanent disability
Procedural Efficiency Law
Italian citizenship

Bufete Barrilero
y Asociados

Get to know all the legal and economic ***news*** from ***multiple perspectives***

Comercial Law — Organic Law 1/2025: Between the Modernization of the Judicial System and Legal Uncertainty — **Gerard Buzzi Rodriguez** — 4

Tax Law — Everything stays in the family — **Íñigo Landín** — 5

Labor and Social Security Law — End of Automatic Termination of Employment Contracts Following Declaration of Permanent Disability — **María García Herráiz** — 7

Criminal Law — Changes introduced by the procedural efficiency law in the criminal field — **Álvaro de la Rica** — 11

International Law — Italian Citizenship – Decree-Law 36/2025 Converted: Main Updates — **Rossella Lo Galbo** — 12

New obligations for administrators and buyers of non-performing loans: key points of the draft law under review

On March 14, the Official Gazette of the Spanish Parliament published the Draft Law on Administrators and Buyers of Credits, a key regulation aimed at comprehensively regulating the market for non-performing loans (NPLs) in Spain. This initiative transposes Directive (EU) 2021/2167 into Spanish law and forms part of a broader European strategy to clean up bank balance sheets, protect financial consumers, and enhance transparency in the secondary credit market.

What Are Non-Performing Loans?

NPLs are loans where the borrower has defaulted or is unlikely to repay. These types of assets have gained importance since the financial crisis, and efficient management is essential to maintain the stability of the financial system.

Authorization for Credit Administrators

One of the main novelties in the draft law is that anyone who wishes to administer non-performing loans must obtain prior authorization from the Bank of Spain. This activity is now subject to legal reservation and requires mandatory registration in a specific registry managed by the Bank of Spain.

To obtain this authorization, the following are required:

- Administrators and holders of significant stakes must meet honorability and experience criteria.
- Robust governance and internal control systems must be in place.
- To manage borrower funds, a special authorization is required, with the obligation to maintain segregated accounts in EU-authorized credit institutions.

The authorization process must be resolved within 90 calendar days from the moment the application is deemed complete. If no resolution is issued within this period, the request will be considered denied by administrative silence.

Obligations for Credit Buyers

Buyers of NPLs cannot alter the original contractual terms of the acquired loans. Additionally, both sellers and buyers must report detailed information about transactions biannually to the Bank of Spain.

This traceability is crucial for enhancing market transparency and regulatory oversight, especially in a sector historically marked by opacity.

Shared Requirements and Borrower Protection

The law also imposes shared obligations on administrators and buyers concerning transaction documentation, informational transparency, and above all, borrower protection.

Entities will be required to implement effective complaint resolution systems, referring to the upcoming law establishing the Independent Administrative Authority for Financial Consumer Protection, which will act as an extrajudicial mechanism for resolving disputes between entities and consumers.

Furthermore, there is a reinforced obligation to protect financially vulnerable individuals, including beneficiaries of Spain's Minimum Living Income (Ingreso Mínimo Vital). These individuals must be offered a repayment plan before any enforcement of the credit.

Transitional and Sanctions Regime

Entities currently managing NPLs when the law comes into force will have three months to apply for authorization. They may continue operations during the application process but must cease activities if they fail to apply in time.

A specific sanctions regime is introduced, incorporating these new obligations into Spain's existing financial discipline framework. The Bank of Spain will be the competent authority to impose penalties.

Legal Overhaul: Coordinated Reform

The draft law not only establishes a specific framework for NPL administrators and buyers but also amends multiple key financial and legal statutes in a coordinated manner. Notable changes include:

- Updates to Insolvency Law to ensure special protection for funds managed by administrators in case of bankruptcy.
- Extension of reporting obligations to the CIRBE (Central Credit Register) for these operators, similar to traditional financial institutions.
- Reinforcement of transparency requirements and communication with borrowers in consumer and mortgage credit contracts, especially regarding contract modifications and debt renegotiation.
- An updated sanctions regime in financial legislation to accommodate the new obligations and regulated actors, allowing specific sanctions for NPL administrators and buyers.

Conclusion

This draft law represents a structural shift in the treatment of non-performing loans in Spain. It aligns national regulations with European standards and strengthens borrower protection. For

Gerard Buzzi Rodriguez

Law graduate from Ramon Llull University (ESADE), Master's in Bar Admission from CUNEF University, Master's in Banking Law and Financial Markets and Institutions from CUNEF, and a member of the Commercial Law Division at Bufete Barrilero y Asociados.

g.buzzi@barrilero.es
Linkedin

Everything stays in the family

"My parents got me an apartment!" — This is a phrase often heard in certain social circles in Spanish society.

But what if the apartment isn't actually provided by the parents, but rather rented out to you by a corporate entity in which you and your family members are shareholders — a family holding company? Is this detail irrelevant, or could it have legal or tax implications?

Real estate is booming (though we'll see if it hits a ceiling), and this has led to a surge in investment in property for rental purposes, particularly among large family fortunes within Spain's business fabric.

In this context — setting aside a more detailed analysis of the technical elements that allow a taxpayer to apply the so-called "Family Business Exemption" — it is common and advisable to channel these real estate assets through a family holding company.

The idea is that such structuring may allow the Family Business Exemption to apply under the Wealth Tax / Temporary Solidarity Tax on Large Fortunes, and potentially bring benefits in inheritance and gift taxation.

Business Use Requirement

A basic condition for an asset to qualify as exempt is that it must be linked to the performance of an economic activity.

Let's return to our apartment: if a property is part of the family holding company's assets and is rented to a shareholder and/or their relatives at market value, can it still be considered an exempt asset for these purposes?

According to a binding ruling by the Spanish Directorate General of Taxes (V1255-20), the answer is yes (excerpt translated and emphasis added):

> "The real estate assets are going to be rented to members of the taxpayer's family group at market value as part of the rental activity carried out by the entity. Therefore, they may be considered necessary to generate income and, consequently, be considered as business-use assets."

However, the Tax Agency of Catalonia, applying a stricter interpretation, ruled that such a property cannot be considered a business-use asset of the family holding company, if it is used personally by the taxpayer or their relatives — and therefore the Family Business Exemption would not apply to its value.

A Legal Tug of War

Following an intense legal dispute through various channels (administrative, economic-administrative, and judicial), the High Court of Justice of Catalonia issued a judgment on March 10, 2025 (STSJC 768/2025) that aligned with the Directorate General of Taxes. The court criticized the Catalan Tax Agency for departing from the interpretation of the body primarily responsible for interpreting tax law — namely, the Directorate General of Taxes. As the saying goes, "Where the captain rules, the sailor has no sway."

So, the rental of a property to a shareholder by the family holding company should not disqualify the asset when calculating the Family Business Exemption.

While this particular case had a happy ending, it again highlights the legal uncertainty that taxpayers face daily.

Íñigo Landín

A law graduate from the University of Navarra, with a double master's degree in access to the legal profession and tax consultancy, he is a member of the Tax Division at Bufete Barrilero y Asociados.

i.landin@barrilero.es
Linkedin

LA SOSTENIBILIDAD
SUENA BIEN

2k24-2k25

End of Automatic Termination of Employment Contracts Following Declaration of Permanent Disability

Recently, Law 2/2025 of April 29 was approved, amending:

- The revised text of the Workers' Statute, approved by Royal Legislative Decree 2/2015 of October 23, regarding the termination of employment contracts due to permanent disability (IP), and
- The revised text of the General Social Security Law, approved by Royal Legislative Decree 8/2015 of October 30, also regarding permanent disability.

This law came into force on May 1, 2025, and while it may not strictly be seen as a novelty in labor matters—since courts had already been interpreting the automatic termination of employment following a declaration of permanent disability by Social Security as potentially discriminatory due to disability—it is now a legislative reality.

No More Automatic Termination

Companies can no longer automatically terminate an employment contract solely due to a declaration of permanent disability (IP), which was previously allowed under Article 49(e) of the Workers' Statute.

To avoid discriminatory practices, employers are now required to make reasonable adjustments or offer a vacant position compatible with the worker's new condition. This obligation applies only if the worker expresses in writing their desire to continue the employment relationship within 10 calendar days of being notified of the IP decision.

Once this is communicated, the employer has up to 3 months to implement reasonable adjustments or relocate the worker.

Exceptions and Limits

The law allows exceptions where such adjustments would impose an excessive burden on the company. Factors that may be considered in determining this burden include:

- Company size
- Financial resources
- Economic condition
- Total business volume

However, a burden will not be considered excessive if public aid or subsidies sufficiently offset it.

A special rule applies to companies with fewer than 25 employees: the burden is excessive if the cost of adjustments (excluding aid or subsidies) exceeds the higher of:

- The compensation for unfair dismissal that would apply to the worker, or
- Six months of the worker's salary.

Legal Uncertainty

Apart from this specific threshold for small companies, the law leaves room for interpretation. We will likely have to wait for court rulings to determine the real scope of this regulation.

In May 2024, the National Disability Council published a guide on understanding and implementing reasonable adjustments as a measure of equal opportunity and non-discrimination, though it did not eliminate the uncertainties posed by the new law.

This guide emphasizes proportionality in implementing adjustments and includes criteria such as:

- The discriminatory impact of not implementing the adjustment
- The potential benefit to one or more people, regardless of who requested it
- Whether the adjustment is temporary or permanent

It even includes examples, such as:

- Flexible working hours
- Remote work
- Leave
- Reassignment
- Training in workplace technology
- Mentoring programs

Timing and Termination Options

As stated earlier, employers have a 3-month window to adapt the role or reassign the worker. If such changes are not feasible (due to excessive burden or no suitable vacancy), it seems that the company then has another 3-month period to terminate the contract.

After this period, termination cannot be based on the declaration of permanent disability. The employer must instead pursue objective dismissal under Article 52(a) of the Workers' Statute, for supervening ineptitude.

Communication Requirements and Employer Obligations

The law clearly mandates a written and well-reasoned notice to the employee. Failure to do so poses a high risk of discrimination claims. Similarly, if the company refuses to make adjustments deemed reasonable, it may also face legal consequences.

Occupational health and safety services will play a key role in this process, helping determine:

- The nature and scope of the required adjustments
- Training, communication, and health surveillance
- Identification of suitable positions in consultation with employee representatives

Ultimately, the employer bears the final responsibility.

Suspension During Transition

Once the IP is declared, the employment contract is suspended while adjustments or relocation are in progress. Similarly, the IP benefit is also suspended during the performance of the same job with adaptations or during relocation to a new role.

Conclusion

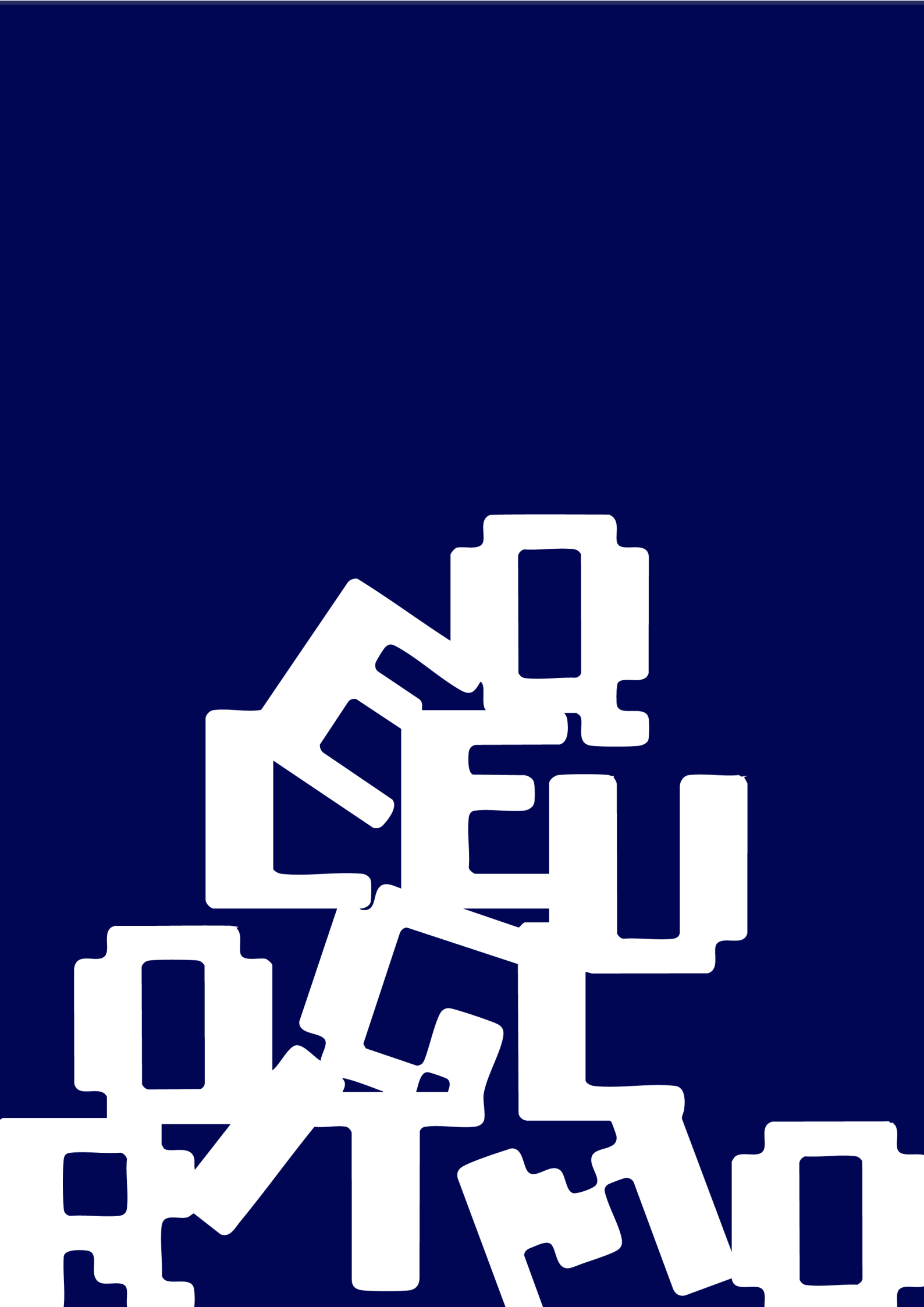
A new employer obligation has taken effect: the automatic termination of employment upon permanent disability declaration is no longer valid. As is becoming customary with recent labor laws, we'll need to closely follow court interpretations to fully understand the practical implications of this legislation.

In the meantime — as artificial intelligence wisely advises — consult a specialized labor attorney for proper legal guidance.

María García Herráiz

With a degree in Law from the University of Deusto, she is a partner in the Labor and Social Security Division of Bufete Barrilero y Asociados.

maria.garcia@barrilero.es
Linkedin



JUNE

Changes introduced by the Procedural Efficiency Law in the criminal field

The Organic Law 1/2025 on measures regarding the efficiency of the Public Justice Service, published on January 3, 2025, and which came into effect on April 3, introduces what are considered to be some of the most significant reforms to Spain's judicial system in recent decades. Its main goal, as stated in the preamble, is to modernize and streamline judicial procedures, making the system more accessible, efficient, and closer to citizens. Among its key measures—already widely known—are the creation of the Courts of Instance, the digitalization of judicial processes, and the implementation of Alternative Dispute Resolution Methods (ADR).

Less known is the impact of this Law in the criminal jurisdiction, beyond the change in the naming of judicial bodies. From now on, we will speak of the Court of Instance, a collegiate body defined by the boundaries of the judicial district and organized into sections by subject matter. That is, we will no longer refer to Investigative Court No. 41 of Madrid or No. 9 of Valencia, but rather to the Investigative Sections of the Courts of Instance of Madrid or Valencia... or to the Criminal Sections of the Criminal Courts of Instance instead of the Criminal Courts.

The changes in the criminal sphere go beyond modifications to the Criminal Procedure Law. The Organic Law of the Judiciary also contains procedural elements related to criminal jurisdiction, as does Law 50/1981 of December 30, which regulates the Organic Statute of the Public Prosecutor's Office, with procedural changes affecting the Prosecutor's Office. Additionally, the Organic Law 5/2000 of January 12, regulating the criminal responsibility of minors, has been modified. A series of provisions in Law 23/2014 of November 20, on mutual recognition of criminal judgments in the European Union, have also been amended.

Organic Law 1/2025 is part of a legislative trend toward specialization and improved criminal response to gender-based and sexual violence crimes. This law also responds, in part, to the mandate in the twentieth final provision of Organic Law 10/2022, on the comprehensive guarantee of sexual freedom, which required greater specialization in the prosecution of sexual violence.

Another reform in the criminal jurisdiction introduced by Organic Law 1/2025 lies in the modification of Article 89 of Organic Law 6/1985 of the Judiciary. This change grants the sections on violence against women the competence to handle criminal proceedings for offenses against sexual freedom (Title VIII of Book II of the Criminal Code), as well as for crimes such as female genital mutilation, forced marriage, and sexually motivated harassment, provided that the victim is a woman. This jurisdictional assignment means these crimes, when the offended person is a woman, will be handled by judicial bodies specialized in violence against women, thereby reinforcing specialization and victim protection.

Furthermore, Organic Law 1/2025 introduces changes in other relevant criminal and procedural laws:

I. It modifies the Criminal Procedure Law by introducing procedural adjustments to adapt the investigation and prosecution of the aforementioned crimes to the new distribution of competences.

II. A new version of Article 785 of the Criminal Procedure Law introduces a mandatory preliminary hearing in the abbreviated procedure: "the judge or court shall convene." It is still unclear whether this will also apply to the ordinary procedure. The hearing covers: a) possible plea agreement

b) court's jurisdiction
c) any rights violations
d) existence of preliminary issues
e) grounds for trial suspension
f) content, purpose, or invalidity of evidence.

The hearing will not be suspended due to unjustified absence of the parties. Generally, the court must resolve the issues orally and also rule on the proposed evidence. The hearing may become a plea agreement trial. If no agreement is reached, the hearing proceeds to scheduling—unless the judge or court has not issued an oral ruling.

III. It modifies Organic Law 6/1985 of the Judiciary in criminal procedural and jurisdictional aspects. The new Article 88 of the Judiciary Law defines the competences of the investigation sections. Some changes are merely adaptations to the new structure and the creation of the new Violence Against Children and Adolescents sections.

IV. It modifies Law 50/1981 of December 30, which regulates the Organic Statute of the Public Prosecutor's Office, in procedural matters affecting its role—especially regarding involvement in criminal proceedings affected by the reform.

V. It amends Law 23/2014 of November 20, on the mutual recognition of criminal judgments in the European Union, to ensure coherence and efficiency in international judicial cooperation in criminal matters.

VI. Lastly, Organic Law 1/2025 introduces modifications to the Legal Aid Law, in compliance with the twenty-first final provision of Organic Law 10/2022, to guarantee effective access to justice for victims of the mentioned crimes.

Álvaro de la Rica

Law graduate from the University of Navarra, Master's in Access to the Legal Profession from the Autonomous University of Madrid, and member of the criminal division of Bufete Barrilero y Asociados.

a.rica@barrilero.es
LinkedIn Profile

Italian Citizenship – Decree-Law 36/2025 Converted: Main Updates

In the Official Gazette No. 118 of May 23, 2025, the Law of May 23, 2025, No. 74 was published: Conversion into law, with amendments, of Decree-Law of March 28, 2025, No. 36, containing urgent provisions regarding citizenship.
The conversion, with modifications, of the decree-law was definitively approved by the Chamber of Deputies on May 20.

The current regulations on citizenship are governed by Law No. 91 of 1992, which is primarily based on the principle of ius sanguinis (citizenship by descent). The new decree does not change this fundamental principle but, as stated in the explanatory report of the conversion bill (AS 1432), it aims to balance it by requiring real and current ties to the national community.

Citizenship for People Born Abroad

Article 1, paragraph 1 states that people born abroad who hold another citizenship do not automatically acquire Italian citizenship.
This restriction also applies to those born abroad before the rule came into force.

However, the previous rules still apply in the following exceptions:

- If citizenship status was already recognized, or if the person received an appointment to submit their application by March 27, 2025;
- If citizenship was legally established through a court proceeding filed by March 27, 2025;
- If one of the parents or grandparents had only Italian citizenship;
- If a parent or adoptive parent legally and continuously resided in Italy for at least two years after acquiring Italian citizenship and before the child's birth or adoption.

Citizenship Acquisition by Foreign or Stateless Minors

Article 1, paragraphs 1-bis and 1-ter introduces new cases of citizenship acquisition "by benefit of law" (not by birth).
A foreign or stateless minor, descended from Italian citizens by birth, becomes an Italian citizen if the parents or guardian declare their intent to acquire citizenship.
Additionally:

- The minor must legally and continuously reside in Italy for at least two years after the declaration; or
- The declaration must be made within one year of birth or recognition/adoption by an Italian citizen.

If the minor, now an Italian citizen, also holds another citizenship, they may renounce Italian citizenship upon reaching adulthood.
Paragraph 1-quater adds that a minor child of a person who acquires Italian citizenship can also acquire it, only if they have resided legally in Italy for at least two continuous years on the date the parent acquired citizenship (or since birth, if the child is under two).

Disputes Regarding Citizenship Recognition

Article 1, paragraph 2 states that in citizenship recognition disputes, oaths and witness testimony are not accepted as evidence, except in cases explicitly provided by law.
The burden of proof to demonstrate the absence of reasons for denial or loss of citizenship falls on the person seeking recognition.

Foreign Descendants of Italians & Entry for Employment

Article 1-bis, paragraph 1 allows a foreign national residing abroad, who is a descendant of an Italian citizen and a citizen of a country with historic Italian emigration, to enter and stay in Italy for employment outside the maximum quotas of the immigration flow decree.
A separate ministerial decree will define the qualifying countries.

Granting Citizenship to Foreign Descendants of Italians

Article 1-bis, paragraph 2 reduces the required period of legal residence in Italy from three to two years for granting citizenship to a foreigner whose parent or grandparent is or was an Italian citizen by birth.

Reacquisition of Citizenship by Former Citizens

Article 1-ter allows individuals who were born in Italy or lived there for at least two consecutive years, and lost citizenship under specific provisions of Law No. 555 of 1912, to reacquire it by submitting a declaration between July 1, 2025, and December 31, 2027.

Rossella Lo Galbo

Graduate in law from the University of Bologna, doctor in law, member of the labor and Social Security division and head of the Italian Desk.

r.logalbo@barrilero.es
LinkedIn

LA SOSTENIBILIDAD
SUENA BIEN

Bilbao
Madrid
Barcelona
San Sebastián
Sevilla
Vigo
Vitoria
Valencia
International Desk

BUFETE BARRILERO
y ASOCIADOS