Agencia Tributaria

CORPORATE INCOME TAX STATISTIC

Methodology

Subdirectorate General for Statistics

Agencia Tributaria

Presentation

The “Corporate Income Tax Statistic” published by the Spanish Tax Agency have as its source the tax forms filed by corporations during the corresponding fiscal year. The Statistics provides detailed information on the main variables included in the tax form, model 200 (“Corporate Income Tax and Tax on Income of Non-residents having Permanent Establishments”).

The Statistics offers relevant information on the entities filing the above mentioned form and particularly on insurance companies, credit institutions and collective investments entities.

The Corporate Income Tax is a direct tax on the income of firms and other legal persons. It taxes the income (profit) as it is the expression of the taxpayer economic capability, taking into account the particular circumstances in each case. Those circumstances can be: the fiscal system under which it operates, the size of the firm, how it is affected by the specific system designed for small sized entities etc. The circumstances impact directly on the tax liability calculation. There are a multitude of specific tax situations within the population filing model 200.

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INTRODUCTION

The statistic 'Corporate Income Tax. Yearly Accounts' exploits the tax forms the firms file yearly to the Spanish Tax Agency. The population includes all firms subject to the tax in the so-called Common Fiscal Territory. The statistics aim is to complement the information on the Spanish firms produced by other sources.
The Corporate Income Tax (CIT) is significant from the viewpoint of its collection capacity, though it falls behind the Personal Income Tax (PIT) and the Value Added Tax (VAT) in the total non-financial revenues of the government.
However, its most relevant trait is the wealth of data on economic activity it provides through the financial statements filed by the firms.
From an information perspective, the yearly Corporate Tax forms are the most valuable accounting document received by the Spanish Tax Agency. It covers the equity structure, how the regular outcome is generated and the weight of the atypical results.
In economic terms, firms subject to the CIT constitute the most important business collective. They are responsible for 90% of sales and employee the biggest part of the salaried workforce.

PUBLICATION: OBJECTIVES AND CONTENT

The statistics derived from the CIT is akin to a census and gives a detailed picture of the Spanish incorporated business sector. As said above, data are provided on the firm equity, its structure and performance. Firms are classified according to their type, the autonomous region where they file the tax form, the economic sector and the size in terms of employment.

The CIT forms are also exploited to produce another publication 'Detailed CIT Statistics' which appears since 1985. It gives the global relevant magnitudes classified by income brackets and it is devised mainly to attend the needs of the STA tax management department. An electronic version is issued since 2004 and can be found in the STA web (www.agenciatributaria.es) under the header 'Publications').

The publication presented here complements the data already available and presents them in a manageable, updated and functional manner.

The publication methodology explains the population and territorial scope, the classifications used and the variables exploited.

Apart from the Methodology the Publication includes the statistical tables and the annex. Statistics from previous years can be accessed at the webpage above.

Data in the tables are only shown when a minimum number of firms is reached in any cross classification. This is necessary to preserve statistical confidentiality.

The statistical tables are structured into 7 independent sections, each of which presents different possibilities for displaying the data available:

1. Evolution and Comparisons
2. Main Variables
3. Balance sheet: assets & liabilities
4. Profit and loss account (analytical account)
5. Adjustment to the accounting results
6. Tax Settlement
7. Ratios

1. **Evolution and Comparisons** section offers the most recent data and the most representative magnitudes within each group.

2. **Main variables**: they appear in a table together with the number of firms and some relevant magnitudes, such as: Fixed and Other Noncurrent Assets, Accounting Results, Taxable Base and Gross and Net Tax liability.

The information is available for the *national total* and the different *autonomous regions* and it is broken down by type of firms: credit institutions, insurance companies, institutions for collective investment and non-financial firms. The latter are further broken down into exempted, transparent, cooperatives, large firms and small firms by economic sector, autonomous region and the size of the firm.

Furthermore, a set of tables are presented under the heading "Deductions from Chapter IV Title VI LCT" which presents the most important deductions applied. This group of tables is classified by type of firm, autonomous region, activity sector and firm size.

Data are illustrated with graphic and maps.

There are sections giving detailed information on some collectives which present specific account models:

- Non-financial firms
- Credit institutions
- Insurance companies
- Collective investment entities

3. **Balance sheet: assets and liabilities.** The table gives the information for each of the four collectives named above: non-financial firms, banks and other credit institutions, insurance companies and collective investment entities. Data follow the requirements of the new General Accounting Plan (General Charter of Accounts) of 2008 and detail the amounts related to assets, liabilities and net worth.

Non-financial firms are classified by autonomous region, activity sector, type and size of the firm.

4. **Profit and loss analytical account**. This table shows the main elements of the profit and loss account for each collective and according to the new General Accounting Plan. Definitions of some derived magnitudes can be found in the section 'Variables studied'.

5. **Adjustments to the accounting results.** These are the increase and decrease of accounting results brought about from technical adjustments (differences in fiscal or mercantile criteria or those derived by international agreements) and adjustments due to tax benefits that operate by reducing the taxable base.

6. **Tax Settlement.** The tables provide data on the taxable base and, from it, on the derived tax liability. It is of particular interest the knowledge of: the gross tax liability and the positive net tax liability, the deductions for double taxation, bonuses and other deductions, with special importance of the deductions foreseen in Chapter IV, Title VI of the LCT (detail in the section on main Variables), Deductions of the Art. 42 LIS and art. 36 ter Law 43/95 and Deductions for investment in the Canary Islands.

In the block on Total of legal entities there is a table with a very relevant content: it contains separate information on *dominant* and *dominated* companies that present tax form 200, and declare in the *fiscal consolidation* regime, that is, the variable collected are obtained from form 220. This table matches the information provided in the block 'Evolution and Comparisons' in what refers to tax collection variables.

7. **Ratios**. There is a table which shows the most relevant economic and financial ratios of both the non-financial firms and credit institutions. Ratios' definitions are in the section of that name within the present methodology.

In these last five information blocks, from the balance sheet to the ratios, information is offered disaggregated according the type of firm:

- Total number of firms can be broken down by autonomous regions and activity sector.
- Credit institutions can be broken down by autonomous region or size.
- Insurance companies, disaggregated by autonomous region or size.
- Non-financial firms, disaggregated by autonomous region and activity sector, by size and activity sector and by firm type (exempted, cooperatives, transparent, big firms and small firms).
- Large firms sub-group is classified by activity sector and autonomous region.
- The subgroup of *non-financial firms* within the group *small firms* is classified by activity sector or by autonomous region.

In addition, information on the companies belonging to groups is shown in the following detail:

- For National totals and type of firm: credit institutions, insurance companies and non-financial firms, balance sheet, profit and loss account, adjustment to the accounting result (see breakdown into: dominant and dominated).
- For National Total, data on tax settlement in: aggregation of individual tax forms (model 200), aggregation of individual declarations of companies the declare under the tax consolidation regime, denominated dominant and dominated (model 200) and consolidated tax settlement (model 220), is also offered.

SCOPE DELIMITATION

POPULATION SCOPE

The statistics based on the CIT is a census operation whose population framework is constituted by firms that file the corresponding tax form (model 200) in the Common Fiscal Territory.

The population is defined by two conditions:

- One of a subjective nature that refers to the obligation to file a CIT return.
- Other of a geographical nature, which refers to exclusive taxation in the Common Fiscal Territory and in a system of taxation shared with the Basque Country and Navarra.
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Information required to compile this statistic is extracted from the yearly CIT forms firms must submit.

In this regard, it should be noted that all firms with legal form are obliged to declare, excepting civil societies and other companies lacking legal form, such as: firms dedicated to collective investment either in real estate or movables, pension funds, venture capital funds, mortgage funds, holders of municipal commons and some others. Within this population the CIT Law establishes some exceptions to the duty to declare.

GEOGRAPHICAL SCOPE

The statistic includes the total number of taxpayers who file their return, either exclusively or partially, to the State.

Those firms which have their activity restricted to the Basque Country and Navarre (foral territories) are therefore excluded.

The joint declaration to both the central government and foral territories happens when:

- A firm having its residence in the common fiscal territory conducts operations in both areas during the fiscal exercise and its turnover in the immediately preceding year has exceeded 7.000.000€
- A firm having its residence in the foral territory conducts operations in both areas and its turnover in the previous exercise has exceeded 7.000.000€ and operations carried out in the common fiscal territory are at least 75% of the total carried out during the fiscal period.

TEMPORAL SCOPE

This operation includes the total CIT returns for the fiscal year of the statistical year.

VARIABLES

This section lists some of the variables presented in the Statistical Tables and briefly describes the main characteristics of each of them.

Classification variables

The tabulation is presented according to these classification criteria or variables from different tax sources:

- Autonomous region
- Province
- Type of firm
- Activity Sector
- Size of the firm

AUTONOMOUS REGION and PROVINCE are assigned according to the Tax Administration Delegation where the firms file their tax forms. The results provided for the Basque Country and Navarre are only partial, since it is a concerted tax, and the data available for these Autonomous Communities and provinces correspond exclusively to those companies that pay tax in the common territory.

TYPE OF FIRM, obtained from the taxation regime indicated in the CIT return. Based on this information, taxpayers are classified as:

- Credit institutions
- Insurance companies
- Collective investment institutions
- Non-financial firms
- Large firms
- Exempted
- Transparent
- Small firms
- Cooperatives

The distinction in the first four types is due to the accounting differences included in model 200. Credit institutions have to fill in specific forms for their balance sheet and their profit and loss account (according to the rules established by the Bank of Spain). Insurance companies have to follow the norm established in the Accounting Plan for the Insurance Sector, approved by Royal Decree 1317/2008. Collective investment institutions have to fill in their accounting statement according to Regulation 3/2008 of the Spanish Securities and Exchange Commission (SEC).

Credit institutions are obliged to prepare their annual accounts in accordance with the accounting standards issued by the Bank of Spain: Banks and Savings Banks and other financial institutions. The regulation in force is currently the Regulation 6/2008 of 26 November of the Bank of Spain.

Insurance companies are obliged to apply the Sectoral Accounting Plan approved by Royal Decree 1317/2008. Insurance institutions include pension funds and social welfare institutions such as mutual funds and insurance funds, but do not include the mutuals for civil servants (MUFACE, MUGEJU and ISFAS), which are part of the Social Security Administrations.

Collective investment institutions include portfolio investment companies and real estate investment companies. The latter are subject to the tax rate established in article 28.5 of the CIT Law.

Non-financial firms are companies with legal form subject to CIT and whose main function is the production of goods and services for the market that elaborate their annual accounts according to the

General Accounting Plan approved by Royal Decree 1514/2007 and the General Accounting Plan for Small and Medium Firms (R.D. 1515/2007). They represent more than 99% of the total statistical population. This category includes: large companies (except credit institutions and insurance companies) or companies with turnover that exceeds the amount of 6.010.121, 04€, calculated according to art 12, Law 37/1992 on VAT. They also included: exempted firms, transparent firms, cooperatives and small firms being entitled to the fiscal incentives for firms with turnover of less than 10m €.

SECTOR GROUPS: The activity of each company is obtained from activity declared in the annual VAT form (model 390) and from the information on the headings of the economic activity tax, which determines the sector to which it belongs. Based on this activity, the companies have been classified into 10 sector groups in terms of the new National Classification of Economic Activities 2012.

1. Agriculture, husbandry, forestry and fishing
2. Extractive industries, energy and water
3. Industry
4. Construction and real estate activities
5. Trade, repairs and transport
6. Information and Communications
7. Financial and insurance companies
8. Services to business
9. Social services
10. Other personal and leisure services

Within the financial and insurance companies sector auxiliary financial activities are included, such as contracting and sale of securities, leasing, pension funds and insurance auxiliary activities carried out by firms that do not file the tax form for financial institutions. In order to have an accurate view of the sector it should be kept in mind that some credit institutions, collective investment firms and insurance companies do not appear in the corresponding group. The reason is the impossibility of consolidating their balance sheets and loss and profit accounts due to their disparities.

FIRM SIZE. Size is established as a function of the number of employees (as an average of both fixed and temporary workers). There are the following groups:

1. Without employees.
2. Micro-firm: 1 to 9 salaried employees
3. Small firm: 10 to 99 salaried employees
4. Medium: 100 to 250 salaried employees
5. More than 250 salaried employees

Classification variables of a second order

Firms with profits versus firms with losses or classification according to the sign of the accounting result and classification by sign of the taxable base.

SIGN OF THE ACCOUNTING RESULT. It is a second order classification variable but very useful to establish the differences between firms with profits and firms with losses.

POSITIVE TAXABLE BASE. It is also a second order classification variable that appears in all tables. It is a very significant variable for tax analysis the main tax liability arises only for companies with a positive tax base.

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Original variables

Variables from the accounting statements (assets, liabilities and net worth) that appear in the CIT forms of non-financial firms are defined in Royal Decree 1514/2007 which approves the Spanish General Accounting Plan and Royal Decree 1515/2007 which approves the General Accounting Plan for Small and Medium Firms, which came into force in 2008.

Non- current assets are: intangible assets, tangible fixed assets, real estate investments, investments in firms either of the same group or being long term partners, long term financial investments, assets due to deferred taxation and the non-current trade debtors.

Current assets are: Non-current assets held for sale, stocks, commercial debtors and other accounts receivable, investment in firms either of the same group or short term partners, short term financial investment, short term accruals, cash and cash equivalents.

The sum of the current and non-current assets results in the Total Assets.

Net worth comprises: shareholders' equity, adjustments due to changes in value, adjustment of net worth and subsidies, donations and legacies received.

Non-current liabilities consist of: long term allowances, long term debts, debt to firms of the same group or long term partners, deferred taxes, long term accruals, non- current trade creditors and debts with special long term characteristics.

Current liabilities consist of liabilities related to non-current assets held for sale, short term provisions, short term debts, short term debts to same group firms or to partner firms, trade creditors and other accounts payable, short term accruals and debts with special long term characteristics.

The sum of Net Worth, Non-current Liabilities and Current Liabilities results in the Total Net Worth and Liabilities.

The annual accounts of insurance companies are regulated in the General Accounting Plan approved by Royal Decree 1317/2008 and in the same terms are included in the tax form. The details of the account can be consulted in the corresponding balance sheet tables and, as an outstanding element, it should be noted that there is no differentiation between Current and Non-current, neither in Assets nor Liabilities.

Annual accounts of entities subject to Bank of Spain (BoS) regulations have to follow the European standards translated into BoS Circular 4/2004, modified by BoS Circular 6/2008 of November 28. The BoS establishes the norms for both financial public and reserved information and financial statements. As in the case of insurance companies there is no clear distinction between current and fixed assets and the same applies to liabilities.

In accounting terms, the difference between current and non-current assets depends on their availability (or not) for sale and in the case of debts to third parties if they are due in less than or more than a year.

The balance sheets of collective investment institutions should be adjusted to Circular 3/2008 of the Spanish Securities and Exchange Commission on accounting standards, annual accounts and other statements. The data should differentiate between current and non-current in both assets and liabilities.

In the statistic, the variables presented in the *compound assets and liabilities balance sheet*, *adjustments on the accounting results* and *tax liability* are the originals ones declared by the taxpayers.

Derived variables

The tax form original structure has been maintained (as far as possible) in the tables on Profit and Loss Account. However, variables appearing when choosing 'Profit and Loss Account' in the first block of results on non-financial firms are defined below. The variables are not the original ones in the tax form.

Profit and Loss Account (or analytical account) of non-financial firms

- *Production*. It includes: net turnover, stocks variations of finished or in process products, value of works done on assets, other operating revenues and other operating results.
- *Intermediate consumption (*Spanish acronym: CI): supplies and other operating costs.
- *Value added* (SA: VA). Income generated by the firm in the development of its current activities. It is distributed among: employees (staff costs) and the firm itself (gross operating result or gross surplus). VA is given at factors cost, since it is the difference between production at producers' price and intermediate consumption at purchase price (it includes indirect taxed paid by the firm). By definition, the balance of this item must be positive.
- *Staff costs* (SA: GP) It includes: salaries, social security contributions, firm´s contribution to pension plans, payments to other social security entities, indemnities and other staff costs such subsidies to cooperative shops, canteens and training institutions.
- *Gross operating result* (SA: RBE). It is the difference between the gross value added generated and the staff cost. It is the first indicator of gross profitability after paying the labour factor. It is the key magnitude to obtain the gross operating margin ratio.
- *Operating result* (SA: RE). It includes the surplus balance after depreciation and amortisation charges, provisions, deteriorations and disposal of fixed assets.
- *Financial result* (SA: IF). It includes: net financial revenues and other financial results such as variation in the reasonable value of financial products, exchange differences, deterioration and disposal of financial products.
- *Result before taxes* (SA: RAI). It is calculated as the aggregation of operating and financial result and it is an indicator of the firm profit before paying the CIT. As an operating result only depends on the assets capability to generate revenue, before financial results have been computed, but the result before taxes depends both on the assets composition and functioning and on the liabilities structure and in particular on the financial situation of the entity, as well as on the results obtained outside of commercial transactions.
- *Result after taxes* (SA: RDI). It is the net accounting result, after the CIT has been subtracted and the result of discontinued operations added. This item is assimilated to "Profit or loss on the profit and loss account" in the statement. Depending on the sign of the same, the data for companies with RCON>0 are presented in the tables.

Analytical Profit and Loss Account for Credit Institutions

The statistical data are presented exactly like in the tax form data. However, in this section the main aggregates are going to be explained and compared to those of non-financial firms. The accounting regulation of Circular 6/2008 introduces some changes in the denomination and definitions of the margin of results.

- *Margin of interests.* It is the financial margin obtained by deposit entities in lending and deposit-making operations and is measured as the difference between interests received and paid, or in other words, the difference between financial products and costs. It is the main margin of reference, in lieu of the intermediation margin.
- *Gross margin.* It includes: interests, banking services for sale (fees received minus fees paid), results of financial operations linked to the trading book and other financial products, capital yields, exchange differences and other products and operating charges. This margin is the most approximate expression of the added value of non-financial institutions.
- *Gross operating result (*derived variable). It is formed by the gross margin minus administrative expenses, which include staff costs.

- *Operating result.* It is the gross operating result minus depreciation and amortisation, provisions and financial assets. It corresponds to the operating result of non-financial firms.
- *Result before taxes.* It is obtained as the sum of operating activities result and non-financial result, and specifically impairment losses due to assets deterioration, profit or losses in assets that are neither classified as 'non-current' nor as discontinued operations and negative differences in business combinations).
- *Results due to continuous operations*. It is calculated as the pre-tax result minus both the tax on profit and the compulsory contribution to social funds from savings banks and credit co-operatives.
- *Result of the exercise (or accounting results).* It is the sum of the result of the exercise due to both continuous operations and discontinued operations. It is equivalent to the after tax result of non-financial firms.

Analytical Profit and Loss Account for Insurance Companies

Royal Decree 1317/2008 (amended by Royal Decree 1736/2010) approves the Sector Accounting Plan for insurance companies adapted to the International Financial Reporting Standards applicable in the European Union.

Analytical Profit and Loss Account of insurance companies are structured in the three following blocks:

- Result of the non-life insurance technical account.
- Result of the life insurance technical account.
- Result of the non-technical account that presents revenues and expenses that cannot be included in the technical accounts.

The structure of the technical accounts is similar in both cases; differences are only due to the two distinctive kinds of business they represent. As an illustration some useful definitions are offered below:

- *Premiums imputed during the exercise net of reinsurance*. They include direct insurance and reinsurance premiums, adjusted to several factors: variation in the provision for uncollected premiums and corresponding reductions and adjustment when reinsurance premiums are transferred to a third party.
- *Revenues from tangible fixed assets and investment*. They include revenues from tangible and financial investments, gains realised on the disposal of investments and the application of value adjustments on investments.
- *Revenues from insurance investments*. They refer to those in the policyholder assumes the investment risk (Life insurance branch).
- *Other technical revenues*. They include the profit from intangible assets and prior years.
- *Losses in the exercise, net of reinsurance*. They are the payments made from direct insurance and reinsurance (with some technical adjustments), they include expenses associated to the payments, such as: fees, taxation, wages and salaries and depreciation charges.
- *Variation in other technical provisions, net of reinsurance*: includes the technical provisions applied to their purpose at year-end net of the allocations to them.
- *Share in profit and accounting changes*. Amount of profit paid to insured persons when it can be considered profit sharing from the activity as a whole. Accounting changes refer to total restitution of premiums.
- *Net operating expenses*. They include three items of expenses: acquisition expenses, administration expenses and commissions and participations paid to other insurance companies for their intermediation in the ceded and retired insurance. Expenses attributable to acquisition and administration include commissions, external services, taxes, staff costs and depreciation.
- *Other technical expenses*. They comprise the variation in provisions for insolvency, depreciation and other.
- *Expenses related to investments and tangible assets*: Sundry financial expenses.

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- *Expenses of investments assigned* to insurance in which the policyholder assumes the investment risk (Life Insurance branch).

The non-technical account (in the third block of tables) comprises: revenues and expenses related to investments, other revenues and expenses not assigned to the technical accounts, revenues and expenses related to pension funds management and extraordinary results.

Each block of the profit and loss account shows a subtotal, which is the result of each of the accounts.

- Results before tax, integrates the result of the three accounts.
- Results from continuous operations, it is the result before tax net of income tax.
- Economic result of the year. It is obtained by aggregating the result from continuous operations and the result from discontinued operations, net of tax.

Analytical Profit and Loss Account for Collective Investment Institutions

In 2008 the CIT introduced a tax form for collective investment institutions. Its structure is closer to the non-financial firms than to the financial ones since it differentiates between and operating result and a financial result, although the importance of aggregates clearly shows that its business is fundamentally financial, so the first result is generally negative and the financial result is the most relevant part of its income statement.

- Operating result, it includes: fees due to discounts and reimbursements, retracted fees, rental income net of staff expenses, operating expenses (the most relevant item), deterioration and disposal of tangible assets, revenues from real estate investment, compensations and indemnities due to real estate investments and depreciations.
- *Financial result*, it is the sum of: financial revenues, financial expenses and other financial results due to changes in the reasonable value of financial instruments, currency exchange differences, the deterioration of financial instruments and the result of their disposal.
- *Result before tax*, it is the operating result plus the financial result.
- *Result of the exercise*, it is the net accounting result, after deducting the income tax.

STATISTICAL CONFIDENTIALITY (S.C.)

Each of the data and disaggregation that appear in the tables of the publication will be available only when there is a minimum of observations at the chosen crossroads, considering this minimum sufficient and necessary to safeguard the secrecy and confidentiality of taxpayers.

RATIOS

Ratios in the statistics are calculated in an aggregate or macroeconomic way. They are obtained for each business group, not as an arithmetical average of individual ratios but from the aggregated accounting magnitudes of the group.

Ratios are useful for financial and economic analysis of the different kinds of firms included in the statistics and they facilitate comparisons among them. Ratios are also intended to be useful for the individual enterprise, which may contrast its specific accounting structure with that of the group to which it belongs.

Ratios are structured in two sets, the first about profitability and it is particularly useful for economic analysis. The second set contains ratios oriented towards financial analysis.

NON FINANCIAL SOCIETIES

Economic analysis

The income statement is, because of the nature of the information it provides, the financial statement that is relevant to the economic analysis.

The structure in cascade adopted for the income statement makes a decisive contribution to the effectiveness of the analysis since it identifies the global income or value added generated in the firm and shows the difference between the operating result (gross and net), the financial result, the result before tax (it includes operating and financial results) and the result after payment of CIT.

Only data from the income statement are used in to obtain the ratios of that section. A graphical representation of the first two has been included by sector and Autonomous Community.

- **Value added ratio [Spanish acronym (SA): TVA]**
  It is the percentage of value added in relation to production and shows the capacity to generate income per unit of product.
- **Staff cost ratio** (SA: TGP)
  It is the proportion of staff costs to the value added. It measures the share of salaried employees in the distribution of the income generated in the enterprise. Its complementary is the gross operating result or surplus rate, not included, given its ease of calculation (100-TGP).
- **Gross operating margin (SA: MBE)**
  It is defined as the proportion that the gross operating result represents in relation to turnover and is the basic or primary measure of the profitability of the operation from the point of view of the company.
- **Economic profitability** (SA: REC)
  It is the percentage that represents the economic profit or operating profit (before financial expenses are paid) with the total capital invested (actual asset). The ratio is also named investment profitability. Actual asset is the total assets net of long and short term provisions.
- **Financial profitability** (SA: RF)
  It is the percentage of the result before tax (SA: RAI) in relation to the net worth.
  It can be considered as the measure of profitability from the perspective of the owner or shareholder since it includes the totality of the results, regardless of their origin.

ECONOMIC RATIOS	
Concept	**Definition**
Value added ratio	Value Added of the firm / Production *100
Staff cost ratio	Staff Cost / Value Added *100
Gross operating margin	Gross Operating Result / Turnover *100
Economic profitability	(Pre-tax Result + Financial Expenses) / Real Assets *100
Financial profitability	Pre-tax Result / Net Own Resources *100
FINANCIAL RATIOS	
Concept	**Definition**
Treasury ratio	Current Assets / Current Liabilities *100
Working capital ratio	(Current Assets - Current Liabilities) / Fixed Liabilities *100
Debt ratio	Outside Company Resources / Net Worth *100

Financial analysis

Financial analysis focuses on the study of different ratios that measure the degree of solvency or insolvency of companies, making it possible to verify whether financing by reason of its cost is correct in order to maintain stable development under conditions of adequate profitability.

From a financial perspective the two main problems for the firms analysed are: 1) to choose the best financing given the cost and the market conditions and 2) to decide which investments are profitable enough to afford their financing costs Financial equilibrium is therefore achieved when, once the necessary investments have been decided, the necessary resources are available at the right time and at the lowest possible cost.

Unlike the economic analysis, which takes as its starting point the analytical profit and loss account and measures the profitability generated in the development of business activity, the financial analysis is based on the balance sheet for the study of the equity structure and sources of financing.

A common characteristic of financial ratios is their great variability they have over time. This is due to the fact that companies have a wide margin of action to change the available means of financing and their equity structure. On the contrary, economic ratios are much more rigid (except for the atypical rate of return and financial performance) because they are intimately linked to the productive process, whose possibilities of change are limited.

- **Treasury ratio (SA: RT)**
  This is the percentage that represents the sum of the current asset and the current liability. This ratio measures the potential for meeting short-term payment obligations.
- **Working capital ratio** (RFM)
  Working capital is defined as the amount of permanent financial resources required to carry out current operations. It is calculated as the difference between current assets and current liabilities, between fixed liabilities consisting of equity and non-current liabilities.
  A negative value means that part of the tangible fixed assets is financed with short term debt. Needless to say this indicates a difficult situation.
- **Debt ratio** (REF)
  This ratio relates the entity’s total debts (total creditors) to net equity and it is the inverse of the financial autonomy ratio which is not given in this statistic. It calculated as the percentage of the liability reduced by the provisions between equity.
  Debt ratio is high in collectives that mostly rely on external sources of investment financing.
  This ratio and ratio of financial autonomy present negative values in those sectors with negative net equity.

CREDIT INSTITUTIONS

Economic ratios

The following ratios are derived from the aggregate magnitudes in the 'profit and loss account' of credit institutions. Their peculiarities are the reason to give them a separate treatment.

- **Staff cost ratio** (SA: TGP)
  It represents the importance in terms of the proportion of staff costs to gross margin. The latter is considered represent the value added of credit institutions.
- **Efficiency ratio** (SA: RE)
  It is the proportion between gross operating result and gross margin. Its amount corresponds to the importance of the consumption necessary to obtain the gross operating profit from the gross margin, and efficiency is higher the lower the relative importance of such consumption.
- **Financial profitability** (SA: RF)
  Pre-tax accounting result with respect to own resources (net worth). Represents the measure of return on equity. Pre-taxation of profits makes international comparability possible.
- **Economic profitability** (SA: REC)
  Proportion between the pre-tax accounting result and the total assets. It does not take into account the kind of assets and their quality. It allows to know if the assets are being used in an efficient way to generate returns.
- **Gross interest margin ratio** (SA: RMI)
  Proportion between the interest margin and the gross margin. It indicates the relative importance of the strict financial intermediation activity, nor including other products such as net fees and dividends.

Financial ratios

The following ratios are obtained from the aggregate magnitudes comprised in the accounting statement 'balance sheet' of credit institutions:

- **Capitalization ratio** (SA: RC)
  It is the proportion between net worth and total assets. It measures the financial leverage and shows to what extent the capital is a primary solvency indicator.
- **Financial position ratio** (SA: PF)
  It is the proportion between financial assets and financial liabilities. It shows whether the financial position is unbalanced.
- **Fiscal capitalization ratio** (SA: CF)
  Proportion between deferred tax assets and own resources. The characteristics of these assets influence the solvency and quality of capital and its categories.

ECONOMIC RATIOS	
Concept	**Definition**
Staff cost ratio	Staff Cost / Gross Margin * 100
Efficiency ratio	Gross Operating Result / Gross margin * 100
Financial profitability	Pre-tax Result / Net Worth * 100
Assets profitability	Pre-tax Result / Total Assets * 100
Interest margin ratio	Interest Margin / Gross Margin * 100
FINANCIAL RATIOS	
Concept	**Definition**
Capitalization ratio	Net Worth / Total Assets * 100
Financial position ratio	Financial Assets / Financial Liabilities * 100
Fiscal capitalization ratio	Deferred Fiscal Assets / Net Worth * 100

ANNEX

Economic sectors according to the tax on economic activities
CORRESPONDANCE BETWEEN CLASSIFICATIONS

SECTOR	ACTIVITY	SECTION	NACE SECTION 2009
SECTOR 1	Agriculture, forestry and fishing	SECTION A	Agriculture, forestry and fishing
SECTOR 2	Extractive industries, energy and wáter.	SECTION B	Mining and quarrying
		SECTION D	Electricity, gas, steam and air conditioning supply
		SECTION E	Water supply; sewerage; waste management and remediation activities
SECTOR 3	Industry	SECTION C	Manufacturing
SECTOR 4	Construction and real estate activities	SECTION F	Construction
		SECTION L	Real estate activities
SECTOR 5	Trade, repairs and transport	SECTION G	Wholesale and retail trade; repair of motor vehicles and motorcycles
		SECTION H	Transporting and storage
SECTOR 6	Information and Communications	SECTION J	Information and communication
SECTOR 7	Financial and insurance companies	SECTION K	Financial and insurance activities
SECTOR 8	Services to business	SECTION N	Administrative and support service activities
		SECTION M	Professional, scientific and technical activities
SECTOR 9	Social services	SECTION P	Education
		SECTION Q	Human health and social work activities
		SECTION O	Public administration and defence; Compulsory social security
SECTOR 10	Other personal and leisure services	SECTION I	Accommodation and food service activities
		SECTIONR	Arts, entertainment and recreation
		SECTION S	Other services activities