

Tax Department / September 2026

Inheritance and Gift Tax: Updates for family businesses in the Valencian Community

Law 5/2026, of 31 July on tax, administrative and financial management measures and the organisation of the Generalitat, published on 10 August in the *Official Gazette of the Generalitat Valenciana (DOGV)*, introduces a significant reform of the regime applicable to the transfer of family businesses and shareholdings in entities under the Inheritance and Gift Tax in the Valencian Community.

Among the most significant amendments is, firstly, the **extension of the family scope to collateral relatives up to the fourth degree**.

In the case of ***mortis causa* transfers**, the new wording of Article 10 of Law 13/1997 allows the **99% reduction** to be applied to acquisitions of businesses, professional activities and shareholdings in entities made, among others, by **collateral relatives up to the fourth degree of the deceased**. Accordingly, the tax benefit may also apply to **siblings, uncles and aunts, nephews and nieces, and first cousins**.

The extension of the family scope also affects the shareholding requirement applicable to transfers of interests in entities. The rule maintains the requirement for a minimum **individual shareholding of 5% or a joint shareholding of 20% together with the family group**, but extends the latter to include **collateral relatives up to the fourth degree**.

For ***inter vivos* transfers**, Law 5/2026 likewise includes collateral relatives up to the fourth degree.

The second major development concerns the **determination of when an entity's main**

activity consists of managing movable or immovable assets.

The new rules abandon the autonomous definition previously used under Valencian legislation and expressly refer to the provisions of **Article 4.Eight.Two.a) of Law 19/1991 on Wealth Tax**.

The practical consequence is particularly relevant for family business groups structured through a **holding company or parent company**. The mere holding of shares in subsidiary companies does not, in itself, mean that the holding company is excluded from the family business regime.