18. Income tax

The breakdown for deferred tax assets and liabilities, by type, is as follows:

	Thousands of euros					
	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
Non-Current assets	24,264	12,045	-29,051	-18,31	-4,787	-6,265
Current assets	11,346	9,835	-536	-252	10,81	9,583
Non-current liabilities	8,993	4,237	-1,21	-541	7,783	3,696
Current liabilities	3,042	3,402	-2,033	-776	1,009	2,626
Total as at 31 December	**47,645**	**29,519**	**-32,83**	**-19,879**	**14,815**	**9,64**

The main changes seen in 2023 relate Viscofan USA, Inc. recording temporary differences in assets and liabilities related to investments made and their accounting effects.

Deferred tax assets, on current assets, are mainly due to the effect on tax of the elimination of the margin in inventory acquired between Group companies, as well as provisions on inventories that are not tax-deductible in some countries. With respect to the deferred tax asset from non-current assets, this relates mainly to the activation of tax credits for tax losses (of 7,577 thousand euros). In addition, deferred tax assets arising from current and non-current tax liabilities relate mainly to provisions at different Group companies that will be used for tax purposes when applied. A large number of the provisions described in Note 18 have led to adjustments in the tax assessment basis in the different countries.

Deferred tax liabilities arising from non-current assets for the years ended 31 December 2023 and 2022, mainly relate to the application of different amortisation rates by certain Group subsidiaries (mostly in the USA) than those used for tax purposes. Also included is the tax effect of net unrealised gains on PP&E items acquired in different business combinations.

The breakdown of deferred tax assets and liabilities recognised in the balance sheet, according to the items giving rise to them, is as follows:

	2023	
Deferred taxes	**Assets**	**Liabilities**
Tax losses (pending allocation)	7,577	—
Differences between accounting and tax depreciations	6,796	20,389
Staff and other provisions	5,587	149
Provisions for impairments	7,825	—
Originating from IFRS 16	2,802	2,798
Limitation of financial expenses	2,873	—
Other deferred taxes	14,185	9,494
Total as at 31 December	**47,645**	**32,83**

Assets within item "Other deferred tax" mainly include the temporary differences generated in Viscofan USA, corresponding to the deferral of the deductibility of certain expenses related to investments made.

The 2022 statements have been restated as a result of the amendment to IAS 12 "Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction". The impact of this restatement has been an increase of +2,726 thousand euros in deferred tax assets and liabilities, with no impact on the 2022 results.

The tax assets recognised in respect of tax loss carry-forwards (pending application), amounting to 7,577 thousand euros, correspond to:

Jurisdiction	**Thousands of euros**
Australia	172
USA	7,405
Total as at 31 December	**7,577**

The following is a breakdown of the deferred tax assets not recorded at year-end 2023:

		Breakdown by item		
Jurisdiction	**Thousands of euros**	**Tax losses**	**Tax assets (Note 4.24 e)**	**Other deferred taxes**
Germany	1,081	1,081	—	—
Australia	2,07	2,07	—	—
Belgium	3,102	3,102	—	—
Brazil	1,869	—	1,869	—
Spain	9,642	—	8,947	695
USA	32,194	24,714	7,48	—
New Zealand	310	224	—	85
Switzerland	165	—	—	165
Uruguay	14,614	—	13,506	1,109
Total as at 31 December	**65,047**	**31,191**	**31,802**	**2,054**

In addition, a tax incentive derived from investments in the country is available in the Republic of Serbia, reducing corporate income tax liability by 42% on tax returns filed from 2022 until 2031.

In Thailand, in February 2023, the Thailand Board of Investment granted the Group a corporate tax incentive for investments made in the country, reducing corporate tax rate by 60% until 2034.

During 2022 the Chinese subsidiary Viscofan Technology (Suzhou) Co. Ltd.'s rating was again deemed as "High Tech" for 3 years and, therefore, its tax rate dropped from 25% to 15%.

In the US, tax loss carry-forwards have been generated between 2008 and 2023. Those generated between 2008 and 2017 have a legal expiry of 20 years from generation, with no allocation limit. Those generated from 2018 onwards have no legal expiry or application limit until 2020 and are capped at 80% of the tax base as from the year beginning 1 January 2021.

The tax assets were generated between 2015 and 2023, have a legal expiry date of 20 years from their generation and their allocation is capped at 75% of the tax liability they are allocated to.

In relation to the temporary taxable differences of the subsidiaries, as at 31 December 2023 and 2022, the Group did not recognise any amount in this regard based on its dividend distribution policy, according to which it unlikely that the results accumulated by the subsidiaries as at 31 December 2023 will be distributed in the foreseeable future. This unrecognised deferred tax liability would total approximately 8.2 million euros at 31 December 2023 (11.1 million euros at 31 December 2022).

The breakdown of changes during the year in recognised deferred tax assets and liabilities arising from temporary differences recognised as income tax expense/(income) on the consolidated statement of recognised income and expense and as “Other income and expenses” on the consolidated comprehensive income statement is as follows:

	Thousands of euros	
	2023	**2022**
Non-current assets	-1,421	2.070
Current assets	1,074	1.884
Non-current liabilities	5,358	-509
Current liabilities	-800	778
Consolidated income statement	**4,211**	**4,223**
Non-current assets	173	-71
Current assets	152	301
Non-current liabilities	675	-1.696
Current liabilities	-37	-480
Other results of the Consolidated Statement of Comprehensive Income	**963**	**-1,946**
Total change in deferred taxes and deferred tax liabilities	**5,174**	**2,277**

The breakdown of deferred taxes charged directly against "Other comprehensive income" on the Consolidated Statement of Comprehensive Income is as follows:

	Thousands of euros	
	2023	**2022**
Actuarial gains or losses on pension plans	693	-1,997
Adjustments for changes in value cash flow hedges	54	-666
Other items	216	717
Charged directly to other comprehensive income in the Consolidated Statement of Comprehensive Income	**963**	**-1,946**

The major components of income tax expense for the years ended 31 December 2023 and 2022, are as follows:

	Thousands of euros	
	2023	**2022**
Corporate income tax expense for the year	32,342	48,966
Adjustments to prior years' income taxes	-187	-384
Current income tax	**32,155**	**48,582**
Origination and reversal of temporary differences	-4,211	-4,223
Deferred taxes	**-4,211**	**-4,223**
Income tax expense on income from continuing operations	**27,944**	**44,359**

A reconciliation between tax expense/(income) on continued operations and the product of profit before tax multiplied by the tax rate prevailing in Spain (Navarre) on 31 December, is as follows:

	Thousands of euros	
	2023	**2022**
Profit for the year before tax from continuing operations	**168,906**	**183,789**
Permanent differences	15,276	4,023
Preliminary tax base	184,182	187,812
Tax rate at 28%	51,571	52,587
Impact of the application of the rates in force in each country	-3,353	-4,543
Deductions generated/applied in the year	-12,259	-6,125
Adjustments to prior years' income taxes and other adjustments	-6,602	-1,7
Non-recoverable withholdings on dividends from Group companies	-1,413	4,14
Income tax expense	**27,944**	**44,359**

In 2023, the Brazilian subsidiary took advantage of the corporate tax deduction for ICMS subsidies recognised under Brazilian law.

Income tax payable from continued operations was calculated as follows:

	Thousands of euros	
	2023	**2022**
Current income tax	-32,155	-48,582
Exchange gains (losses)	216	717
Withholdings and payments on account made	30,805	37,795
Total as at 31 December	**-1,134**	**-10,07**

This amount is broken down in the Consolidated Statement of Comprehensive Income as follows:

	Thousands of euros	
	2023	**2022**
Income tax assets receivable	3,649	6,14
Income tax liabilities payable	-4,783	-16,21
Total as at 31 December	**-1,134**	**-10,07**

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the tax authorities or the inspection period of four years has elapsed. At 31 December 2023, the Parent and subsidiaries in Spain are open to inspection for all the main taxes to which they are liable and for which the corresponding inspection periods have yet to expire. The situation of foreign companies depends on the legislation prevailing in each country.

Due to the different possible interpretations of prevailing legislation, additional liabilities could be identified in the event of inspection. Nonetheless, parent management considers that any additional liabilities that might arise would not have a significant impact on these consolidated financial statements.

Pillar Two legislation has been implemented, or substantially implemented, in a series of jurisdictions where the Group operates. The legislation will affect the Group's fiscal years beginning on or after 1 January 2024. The Group has performed an assessment to determine whether it is exposed to Pillar Two taxes.

The assessment is made on the basis of the most recent tax returns, country-by-country reports and financial statements of the entities forming the Group. Based on this assessment, Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. Pillar Two safe harbour provisions do not apply in a limited number of jurisdictions where the Group operates, however, material exposures to Pillar Two taxes are not expected in these jurisdictions.