17 March 2020 Global Tax Alert

Spain declares State of Alarm: immediate tax implications

EY Tax News Update: Global Edition

EY's Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access more information about the tool and registration <u>here</u>.

Also available is our <u>EY Global Tax</u> <u>Alert Library</u> on ey.com.

Executive summary

On 14 March 2020, the Spanish Government issued Royal Decree 463/2020 (the Decree) declaring a State of Alarm (In Spanish, *Estado de Alarma*) for Spain. The Decree sets forth certain temporary measures that will apply during the current world health crisis. The duration of this State of Alarm as per the Decree is of 15 natural days (the longest this State can be declared as per the Spanish rules), but it can be extended if so approved by the Parliament.

In addition, on 13 March 2020, the Spanish Government issued Royal-Decree Law 7/2020 providing small and medium-sized companies with a deferral for payment of certain tax debts.

This Tax Alert summarizes the measures that have been introduced and their impact with respect to the Spanish tax system.

Detailed discussion

The Royal Decree which approved the State of Alarm includes several measures aimed at containing the spread of COVID-19. Their implications for tax purposes are:



Measures on existing administrative and jurisdictional procedures

The following extraordinary measures on terms and deadlines are relevant for Spanish tax purposes:

With respect to administrative and court procedures, terms are suspended and deadlines are "interrupted" (including tax and penalty procedures).

Whereas the Royal Decree refers to the suspension of "procedural deadlines provided for in procedural laws" and the interruption of "deadlines for the handling of procedures," it does not specify what is to be understood by "administrative procedures" or the impact of the suspension or interruption with respect to the filing of periodic tax returns.

We understand the Spanish Tax Authorities might release a Note clarifying whether deadlines to file periodic returns are also suspended but currently this is still unclear.

Therefore, and while we will closely follow up and continue to report on the progress of these measures, taxpayers in the meantime should continue doing the relevant filings within the usual deadlines to avoid potential penalties or surcharges.

- Deadlines will only be resumed when the Royal Decree declaring the State of Alarm is no longer valid or, as the case may be, the extensions of the same.
- The Statute of Limitations (SoL) and Expiry periods of any actions and rights will be suspended during the period of validity of the State of Alarm and, if necessary, of any extensions adopted. Therefore, among others, the fouryear SoL period is suspended.
- The measures adopted by other Public Administrations are also ratified. By way of example, the Madrid region has announced that the days from 13 to 26 March 2020 will be deemed non-working days for the purposes of administrative procedures taking place before the public bodies of the Madrid region.

Measures implying the lockdown of the administration

In addition to the measures above, the Royal Decree introduces several measures aimed at limiting the spread of COVID-19, which include the lockdown of most of the administration buildings.

As a result, and as published on the webpage of the Spanish Tax Authorities, all tax offices are closed until the State of Alarm ceases to be applicable.

Other measures

The Royal-Decree Law 7/2020 has introduced additional flexibility for small and medium-sized companies to defer the payment of tax amounts due not exceeding \leq 30,000 for up to six months (the first three months without incurring delay interest).

This measure applies not only to amounts resulting from selfassessment of taxes but also to withholding taxes.

For these purposes small and medium-sized companies are those whose turnover in the previous year does not exceed €6,010,121.04 in 2019.

Next steps

EY will carefully monitor all new developments, as well as any additional guidance which could be issued by the Spanish Tax Authorities in this regard and, in particular, regarding the suspension of compliance with tax formalities. We will also follow any extension of the State of Alarm which may be agreed by the Parliament.

For additional information with respect to this Alert, please contact the following:

Ernst & Young Abogados, Madrid

Maximino Linares maximino.linaresgil@es.ey.com

Ernst & Young LLP (United States), Spanish Tax Desk, New York

- Jose A. (Jano) Bustos joseantonio.bustos@
- Isabel Hidalgo
- joseantonio.bustos@ey.com isabel.hidalgo.galache1@ey.com

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2020 EYGM Limited. All Rights Reserved.

EYG no. 001250-20Gbl

1508-1600216 NY ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com