

Spain delays first reporting of Digital Services Tax and Financial Transaction Tax

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The Spanish Digital Services Tax ([DST](#)) and Financial Transaction Tax ([FTT](#)) became effective on 16 January 2021.

However, the Spanish Tax Authority has published a press release on its website, announcing a deferral of the upcoming DST and FTT payment and submission deadlines. The deadline deferrals are:

- ▶ The deadline for the filing of the DST return and paying the tax of Q1 2021, which would ordinarily be due by 30 April 2021, is deferred to 31 July 2021. Accordingly, the Q1 2021 DST return must be submitted along with the Q2 2021 DST return.
- ▶ The deadline for the filing of the FTT return and paying the tax of January and February of 2021, which would ordinarily be due by 20 February 2021 (FTT return of January 2021) and 20 March 2021 (FTT return of February 2021), respectively, are deferred to 10 - 20 April 2021. Accordingly, the FTT return of January and February must be submitted in the period in which the FTT return of March 2021 must be submitted, that is, by 20 April 2021.

Since the regulations governing both taxes are still in draft, it is expected that these measures will be implemented through the final version of said regulations.

US investigation on Spanish DST

On a separate note, on 2 June 2020, the United States (US) Trade Representative initiated an investigation of the Spanish DST which was published on 14 January 2021. The investigation claims that the features of Spanish DST are unreasonable, discriminatory and burdensome.

The results of this investigation indicate that:

- 1) Spain's DST, by its structure and operation, discriminates against US digital companies, due, among others, to the selection of covered services and the revenue thresholds.
- 2) Spain's DST is unreasonable because it is inconsistent with principles of international taxation.
- 3) Spain's DST burdens or restricts US commerce.

While the above conclusions reached are aligned with the conclusions by the US on other jurisdictions that have unilaterally created the same digital tax, no retaliatory measures have been imposed as of the publication of this Alert. In addition, no official reaction from the Spanish Government or from the Spanish tax authorities has been released yet.

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

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