# 5 May 2020 Indirect Tax Alert

# Spain enacts VAT rate reductions to mitigate impact of COVID-19

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# Executive summary

Spain's Royal Decree-Law 15-2020, of 21 April, on urgent complementary measures to support the economy and employment (the Royal Decree-Law), which was published on 22 April 2020 and entered into force on 23 April 2020, has enacted several measures to address and alleviate, from a tax perspective, the effects and impact of the COVID-19 crisis in Spain.

Among others, the Royal Decree-Law foresees the temporary abolition of Value-Added Tax (VAT) with respect to a wide range of sanitary equipment supplies, in line with the European Commission Decision 2020/491 of 3 April, as well as the application of the 4% reduced VAT rate for supplies of electronic books and digital press.

# Detailed discussion

## VAT zero rate applicable to certain supplies of sanitary equipment

In general terms, internal supplies, intra-Community acquisitions and imports of certain health goods and sanitary equipment, where the recipient is a public body, a public or private hospital, or a private charitable entity, which take place in the Spanish VAT territory from 23 April 2020 until 31 July 2020, shall be regarded as VAT zero-rated operations.



Which sanitary equipment is subject to the VAT zero rate?

The sanitary equipment covered by the measure, detailed in the Annex of the Royal Decree-Law, comprises a wide range of products based on the list published by the World Health Organization, including protective equipment, masks, gels and respirators, among many others.

What is the period of time covered by this measure?

The period running from 23 April 2020 until 31 July 2020, unless extended.

The measure would be applicable to supplies performed under purchase orders/agreements dated prior to 23 April 2020, as long as the VAT taxable event takes place within the referred period (from 23 April 2020 until 31 July 2020).

What Spanish territory is covered by this measure?

The Spanish VAT territory mainly comprises Spain, excluding the territories of Canary Islands, Ceuta and Melilla.

The measure therefore applies to internal supplies, intra-Community acquisitions and imports of sanitary equipment which take place in the Spanish VAT territory.

Canary Islands, Ceuta and Melilla are Spanish regions subject to their own indirect taxes, which may be implementing similar tax measures to confront the effects of the COVID-19 crisis.

What formalities are associated with the application of this measure?

Invoices covering transactions subject to the zero VAT rate have to be issued as they would be referred to exempt transactions, including the mention "VAT exempt operation." Is a formal request or notification to the tax authorities required to take advantage of this measure?

The Royal Decree-Law does not foresee any formal request or notification, so as to apply this measure. Provided that the material and formal requirements are met, the zero VAT rate would be applicable.

Does the taxpayer have to justify (evidence) that the sanitary equipment acquired shall be used for confronting the COVID-19?

The Royal Decree-Law does not foresee an obligation to prove the use of the sanitary equipment acquired in order to apply this measure. To the extent the material and formal requirements are met, the zero VAT rate would be applicable.

What international precedent is this measure based on?

This measure is aligned with the European Commission Decision 2020/491 of 3 April.

The inclusion of private entities and the extension to internal and intra-Community operations are notable elements, as the European Commission's decision relates only to imports.

## Super-reduced VAT rate of 4% for electronic books, newspapers and magazines

The super-reduced VAT rate of 4% applies on a permanent basis to the subscription or acquisition of electronic books, newspapers and magazines, with the same requirements and limitations that apply to these items supplied on paper.

In essence, qualifying publications consist of those with content that is not primarily advertising (i.e., condition met when over 90% of the income obtained by the editor comes from advertising).

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

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