

# TAX MEASURES TO FACE THE ECONOMIC IMPACT OF COVID 19

Due to the special health emergency caused by COVID-19, the central government has been publishing regulations with several measures.

The tax measures try to face the imbalances that the health crisis is causing in the economy, guarantying certain level of revenue for the administration. Given the lack of precedents, the measures are being adapted in the successive rules.

In this document, we will try to make a compilation of the tax measures introduced, presenting them in place of publication:

- **Royal Decree-law 7/2020**, of 13 March, measures to strengthen the health system, protect families and support the businesses concerned, particularly those in the tourism sector and SMEs:

**Deferral in the payment of taxes for small taxpayers:** Article 14 provides for the possibility of applying for deferment of tax debts to be paid between that date and 30 May next.

The main effect of this measure is to allow the deferral without security of certain debts, such as those relating to declarations of withholding taxes, VAT or CIT payment on account, which have hitherto been excluded from this possibility.

In this respect, declarations must still be submitted, but deferral may be requested. Such deferral shall be granted for a period of six months, the first three months being free of interest.

The deferral of the payment of declarations is a very positive measure that has been included in other countries and in some of the Foral territories.

However, in Common territory this measure is only applicable in the case of debtors whose volume of operations in 2019 does not exceed 6,010,000 euros and for debts of less than 30,000 euros. Therefore, it only affects small taxpayers, generally, self-employed workers or SMEs.

- **Royal Decree 463/2020**, of 14 March, which declares the state of emergency in Spain, for the management of the health crisis caused by COVID-19 and **Royal Decree 465/2020**, of 17 March, which modifies the Royal Decree 463/2020.

**Suspension of the administrative deadlines:** Additional Provision 3rd of RD 464/2020 establishes that terms are suspended and time limits for processing procedures of public sector entities are interrupted. The calculation of the terms will restart the moment the present RD or, in its case, the extensions of the same, lose validity.

To this respect, RD 465/2020 clarifies that this suspension does not apply to taxes deadlines "nor will it affect, in particular, the deadlines for filing tax returns and self-assessments."

Therefore, from the tax point of view, RD 463/2020 implies the suspension of the deadlines for processing contentious-administrative appeals, except for actions that the court deems necessary to avoid irreparable damage to the rights and legitimate interests of the parties; assuming that in the tax field it should not have a wide application.

**Suspension of limitation and prescription periods:** Additional Provision 4rd establishes that the limitation and expiration periods of any actions and rights will be suspended for the duration of the state of emergency. This could be understood as a suspension of the time limits for the filing of contentious-administrative appeals, although an elementary principle of prudence advises that these pleadings should be filed within the ordinary time limits.

- **Royal Decree-law 8/2020**, of 17 March, on urgent extraordinary measures to deal with the economic and social impact of COVID 19.

**Suspension of tax deadlines:** article 33 provides, in general terms, the extension until 30 April of the time limits for tax proceedings that had begun before the entry into force of the rule, as well as the extension until 20 May of those notified after that entry into force, unless the ordinary rule provides for a longer time limit. The extension concerns the following deadlines:

- Payment of tax liabilities derived from tax assessments both in the voluntary period and in the executive period, once the requirement has been notified.
- Due dates of deadlines and fractions of deferred or fractions tax debts.
- Deadlines for auctions and awards in seizure or collection procedures.
- Deadlines for responding to tax requests, seizure orders or requests of information (Note: the notified act is effective, although it may be replied to or, where appropriate, appealed against within a longer period).
- Deadlines for submitting allegations at the opening or hearing in the procedures of application of taxes, infringement, declaration of invalidity, return of unduly paid taxes, correction of material errors and revocation.

This extension is applicable without any limitation to the characteristics of the taxpayer or the amount of the debt.

However, it should be noted that **the extension of the deadline does not apply to the obligation to submit self-assessments or to make and pay withholdings and payments on account.**

The same article establishes that no enforcement of guarantees on real estate will take place until 30 April 20.

Additionally, the period between 18 March and 30 April does not count for the purposes of the maximum duration of the procedures for the application of taxes, infringements and reviews processed by the AEAT, although during this period, the Administration may promote, order and carry out the essential procedures. Furthermore, this period shall not count for the purposes of the deadlines or the statute of limitation periods during which the government has the right to determine the tax liability and to demand payment of assessed and self-assessed tax liabilities, nor for the rights to request and obtain refunds under the regulations of each tax, refunds of unduly paid taxes and reimbursement of the cost of guarantees.

**New exemption from ad valorem stamp duty:** In accordance with the first Final Provision amending the revised text of the Law on Transfer Tax and Stamp Duty, "Deeds formalizing contractual novation of loans and mortgages that are produced under Royal Decree-Law 8/2020, of 17 March, of urgent extraordinary measures to deal with the economic and social impact of the COVID-19, shall be

exempt from the progressive Stamp Duty quota for notarial documents under the documented legal acts category of this tax".

On the other hand, the Foral territories Councils of Vizcaya, Álava and Guipúzcoa and the Community of Navarre have also published regulations that include urgent tax measures. In this regard, it should be noted that all of them have included the extension of the voluntary period for the presentation and filing of periodic returns or self-assessments. However, each one of them has established a different system of deferral, so the taxpayer who must file returns in different territories will have to be aware of each of the deadlines.

Similarly, some Communities and Local Councils have included tax measures in relation to the taxes they manage.

In the light of the numerous and complex tax regulations generated by the COVID-19, some companies will require help in setting up a map that includes the regulations at State, regional and municipal level.

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