

# Tax news

## VAT: reciprocity agreement between the United Kingdom and Spain

As of 1<sup>st</sup> January 2021, the United Kingdom and Northern Ireland are no longer considered as EU Member States. Therefore, since that date these territories are considered third countries for VAT purposes.

In accordance with Spanish domestic legislation, businesses or professionals not established in the EU are entitled to ask for the refund of Spanish Input VAT quotas, provided that the following requirements are met:

- Applicants must appoint a **tax representative resident in Spain**.
- In general, applicants must be established in a State with which there is a **reciprocal agreement** with Spain.

In this regard, in order to deal with the situation created as a result of Brexit, last 4<sup>th</sup> January 2021 the Spanish General Directorate of Taxation adopted a Resolution on the refund of input VAT to businesses or professionals established in the territories of the United Kingdom and Northern Ireland.

By virtue of that Resolution, the Spanish Tax Authorities considers that sufficient circumstances exist for the assessment of reciprocity and, consequently, for the refund of VAT borne in Spain by entrepreneurs established in these territories:

### **In relation to the United Kingdom (excluding the territory of Northern Ireland):**

In general terms, the conditions to grant the refund of English VAT to Spanish businesses or professionals are similar to those established by Spanish domestic regulations.

However, the refund of input VAT on the following goods and services **is not allowed**:

- a) Goods and services not affected to the business activity of the company or professional who acquired them.
- b) Goods and services intended for resale.
- c) Goods and services relating to entertainment or services of a recreational nature.
- d) Purchase of motor vehicles.
- e) 50 percent of the input VAT on the rental or leasing of motor vehicles.

### **However, regarding Northern Ireland:**

While a specific protocol applicable to this territory is approved, the refund of Spanish input VAT quotas to business or professionals established in Northern Ireland shall be subject to compliance with the provisions of Article 119 of the Spanish VAT Act, which transposes Directive 2008/9/EC.

Therefore, as of 4<sup>th</sup> January 2021 the refund of Spanish VAT paid by businesses or professionals established in the United Kingdom and Northern Ireland will be conditional to the requirements and conditions established above, as well as the other requirements and procedures set out in Article 119(a) of the Spanish VAT Act (transposition of Directive 2008/9/EC).

Finally, it should be mentioned that the European Union and the United Kingdom have reached a broad agreement for their future relationship. In relation to movements of goods, this agreement provides for zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin, although movements of goods from 1<sup>st</sup> January 2021 will be subject to customs formalities.

### **For more information:**

#### **Eduardo Cosmen**

Head of Tax

Eduardo.Cosmen@es.gt.com

+34 91 576 39 99

### **Offices:**

#### **Barcelona**

+34 93 206 39 00

#### **Murcia**

+34 968 22 03 33

#### **Madrid**

+34 91 576 39 99

#### **Valencia**

+34 96 337 23 75

#### **Málaga**

+34 952 21 19 77

#### **Vigo**

+34 886 90 86 70