VAT newsletter
May 2025

I. LEGISLATION

Postponement of the obligation to adapt invoicing systems to the VERI*FACTU Regulation under Royal Decree 254/2025

Royal Decree 254/2025 of 1 April amends Royal Decree 1007/2023 with the aim of extending the implementation deadlines of the Regulation governing the requirements that invoicing systems and software used by businesses and professionals must meet (VERI*FACTU), as set out in Article 29.2.j) of the General Tax Law.

One of the key changes introduced by this new Royal Decree is the extension of the deadlines for adapting IT systems: corporate income taxpayers referred to in Article 3.1.a) of Royal Decree 1007/2023 must have their systems adapted no later than 1 January 2026. All other taxpayers — including self-employed individuals, PIT taxpayers engaging in economic activities, non-resident taxpayers with a permanent establishment in Spain, and entities under the income attribution regime — will have until 1 July 2026 to comply.

Additionally, producers and distributors of invoicing systems must offer compliant products within nine months from the entry into force of Order HAC/1177/2024 of 17 October. This sets the deadline for adaptation at 29 July 2025. The same timeline applies to the Spanish Tax Agency (AEAT), which must have the service operational to receive billing records from compliant invoice issuance systems by that date.

An important amendment is also introduced in Article 4 of the Regulation, which more precisely defines the scope of application, excluding, among others, invoices issued from permanent establishments located abroad. Moreover, it clarifies that taxpayers using the Immediate Supply of Information (SII) system for VAT books are also excluded with respect to invoices issued by the recipient or by third parties, as the SII ensures sufficient traceability and control by reporting invoice data directly.

In parallel, Article 6 is amended to reinforce that, even when a third party physically issues the invoice, the taxpayers performing the supply of goods or services remain responsible for fulfilling the obligations set out in the VERI*FACTU Regulation and in the Invoicing Regulation (Royal Decree 1619/2012 of 30 November).

Finally, Royal Decree 254/2025 entered into force on 3 April 2025, the day after its publication in the Official State Gazette, giving businesses, professionals, and software developers more time to adapt their invoicing systems.

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II. European Union Case Law

Judgment of 13 March 2025 of the Court of Justice of the European Union. Case C-640/23 (Greentech)

Preliminary ruling — Common system of value added tax (VAT) — Directive 2006/112/EC — Right to deduct VAT — Sale transaction subsequently reclassified by the tax authorities as a transfer of a going concern not subject to VAT — Inability to amend the invoice due to the expiry of the statutory limitation period — Inability to recover VAT paid — Principles of effectiveness and fiscal neutrality — VAT refund.

In this ruling, the CJEU addresses the right to recover VAT paid in error when the seller can no longer amend the invoice due to the expiration of the legally established limitation period under Romanian law.

The dispute originated in Romania, where the Romanian Supreme Court referred a preliminary question to the CJEU regarding the interpretation of various articles of the VAT Directive and the principles of fiscal neutrality and effectiveness. Specifically, Greentech SA had purchased goods from Greenfiber International SA, treating the transaction as subject to VAT. However, the Romanian tax authorities subsequently reclassified the transaction as a transfer of a going concern, which falls outside the scope of VAT.

As a result of the reclassification, Greentech could not deduct the VAT paid, since Greenfiber was unable to amend the invoice due to the limitation period having expired. Greentech argued that this violated the principles of neutrality and the right to deduct VAT, as recognised by CJEU case law (Cases C-564/15 Farkas and C-691/17 PORR Építési Kft), because it was unable to recover the VAT it had incorrectly paid.

The Romanian court considered the situation comparable to previous cases where the CJEU upheld the right to a refund when correction was no longer possible and asked the Court whether denying the deduction under these circumstances was compatible with EU law.

The CJEU held that, although there is no right to deduct VAT if the transaction is ultimately found not to be subject to the tax, the principles of neutrality and effectiveness require that the purchaser be able to request a direct refund from the tax authorities if reimbursement through the supplier is no longer possible. The Court emphasised the distinction between deduction and refund: while deduction does not apply to non-taxable transactions, refund mechanisms may still be available to recover VAT paid in error.

Such a refund must be granted if the purchaser can demonstrate that recovering the VAT from the supplier is impossible or excessively difficult. In that case, the Member State must provide a direct refund mechanism, while it may also require the invoice issuer (in this case, Greenfiber) to act in good faith and facilitate reimbursement or correction of the unduly charged VAT.

The Court concluded that national legislation preventing VAT deduction in such cases does not violate EU law, provided that the taxable person (Greentech) is granted the right to directly claim a refund of the unduly paid VAT from the tax authorities.

III. DOMESTIC COURT RULINGS

Supreme Court Judgment 315/2025 of 21 March 2025. Appeal 5262/2023

In this case, the Spanish Supreme Court ruled on the application of the reduced VAT rate of 10%, as provided for in Article 91 of Law 37/1992 on Value Added Tax, to housing renovation or repair services carried out by insurance companies, which included complex services beyond simple repairs.

Homeserve Spain SL filed an appeal before the Supreme Court against a judgment of the National High Court that had upheld several TEAC rulings. These rulings had previously denied the correction of VAT self-assessments for the years 2016 to 2019 in relation to repair services for homes covered by insurance, where the general 21% rate had been applied instead of the reduced 10% rate.

The appeal sought to clarify whether the 10% reduced VAT rate could apply to home repair services carried out by companies contracted by insurers, and whether the inclusion of additional services (claims management, assessments, etc.) would affect this classification.

The company argued that the service directly benefited the homeowner, not the insurer, and that the involvement of the insurer as the payer did not alter the nature of the service or its ultimate recipient.

However, the State Attorney argued that the legal recipient of the service was the insurance company, not the homeowner. He also noted that the service included complex elements beyond mere repairs, such as claims management, which precluded application of the reduced rate.

The Supreme Court held that, for VAT purposes, the relevant recipient was indeed the insurer, who contracted and paid for the service, and that there was no direct contractual relationship with the homeowner—an essential requirement for applying the reduced rate. Although Homeserve requested a preliminary ruling from the CJEU, the Supreme Court considered that existing EU case law was sufficiently clear and that there were no interpretative doubts justifying a referral.

Therefore, the Court concluded that the services provided by Homeserve did not qualify as mere housing repairs but as comprehensive services to the insurer—including coordination, assessments, and emergency repair guarantees—which exceeded the concept of "housing repair" under VAT law. As a result, it dismissed the appeal and upheld the National High Court's ruling, confirming that the reduced 10% VAT rate was not applicable.

National High Court Judgment 1625/2025 of 2 April 2025. Appeal 2618/2021

The Spanish National High Court has issued three recent rulings (dated 19 March, 2 April, and 9 April) on whether services included in car renting contracts (repairs, insurance, maintenance, etc.) should be regarded as a single supply subject to VAT or should be separated, with insurance classified as an exempt supply, thereby limiting the deductibility of input VAT.

In this specific case, ARVAL SERVICE LEASE, S.A. filed a contentious-administrative appeal against a Central Administrative Economic Court (hereinafter, TEAC) resolution that had rejected its VAT deductions related to services provided under renting contracts, including comprehensive insurance coverage under the Optival clause.

The company argued that the renting service, including the Optival coverage (covering vehicle damage), constituted a single supply subject to VAT. In contrast, the tax authorities contended that there were two separate supplies—renting and insurance—with the latter being VAT-exempt, thus preventing deduction of VAT on repair costs covered by insurance.

The TEAC concluded that the insurance, whether provided by an external insurer or self-insured by ARVAL, was a distinct and independent supply from the renting service and did not enhance the use of the leased vehicle.

The National High Court assessed whether, under CJEU case law, the renting services should be considered a single supply. It emphasized that the presence of different components in a contract does not necessarily imply multiple supplies if the services are closely linked and cannot be separated without altering the economic nature of the transaction.

ARVAL's renting contracts include multiple services perceived by clients as a comprehensive package, supporting the view of a single supply. The optional nature of certain services does not change this perception or the fiscal qualification of the operation.

The ruling cites precedents from the Supreme Court recognising renting as a complex transaction with ancillary services (insurance, maintenance, etc.) that should not be separated from the principal supply for VAT purposes, thereby allowing full VAT deduction.

In contracts where ARVAL assumes damage coverage through self-insurance, the Court considered there was no genuine VAT-exempt insurance supply, as the lessor did not act as a traditional insurer nor was any premium paid to a third party.

Ultimately, the National High Court upheld ARVAL's appeal and annulled the TEAC decisions. Accordingly, it confirmed the deductibility of VAT related to services included in renting contracts, treating them as a single supply subject to VAT.

IV. BINDING RULINGS

V0064-25: VAT exemption for transport costs in an import transaction

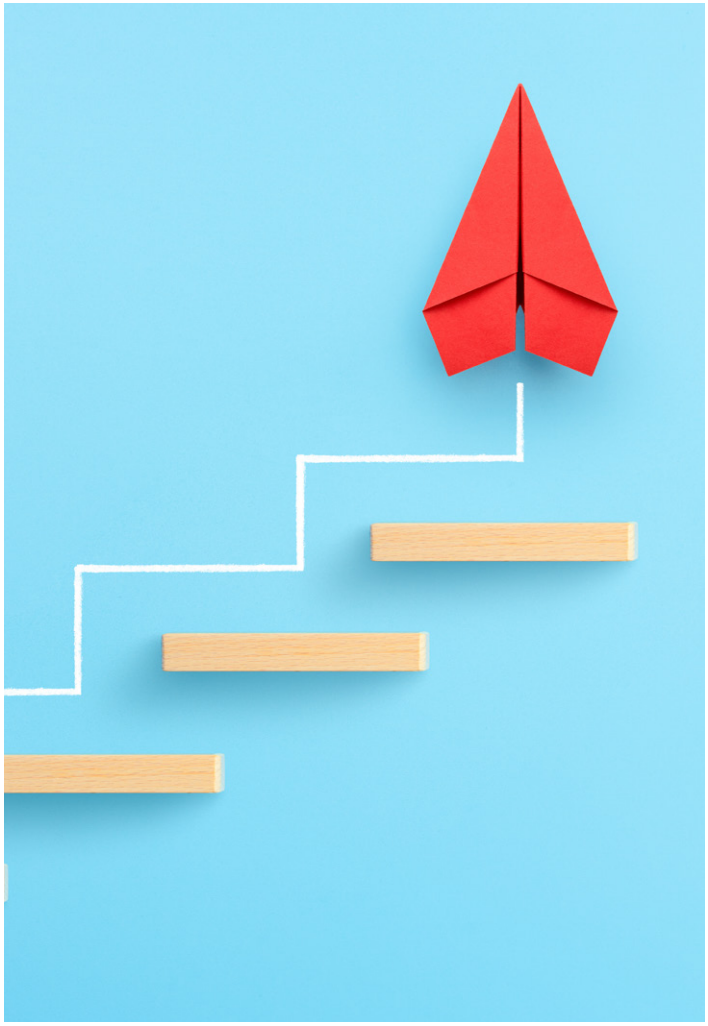
Ruling V0064-25, issued on 3 February, clarifies the VAT treatment of transport costs invoiced to the importer, a shipowner importing fish.

The Spanish Directorate General for Taxation (DGT) confirms that the import is subject to VAT, but it is exempt if the requirements of Article 59 of the Spanish VAT Law (Law 37/1992) are met—namely, that the fish products are imported directly by the shipowner, in their natural state or following conservation processes, and without prior sales.

As regards the transport costs, under Article 69 of the VAT Law they are deemed to be supplied in Spain and are therefore subject to Spanish VAT, since the recipient is a business established in Spanish territory.

However, under Article 64 of the VAT Law, and following the DGT's prior interpretative rulings, transport services and related ancillary services carried out by the forwarder before the goods arrive at the first point in the Spanish VAT territory where the cargo is broken down will be subject to VAT but may be exempt, provided their cost is effectively included in the taxable base of the import transaction.

Therefore, in order to apply the exemption, it must be evidenced—typically through the import SAD (DUA)—that the transport costs were effectively included in the import VAT taxable base. If this cannot be demonstrated, the forwarder must charge VAT on the invoice.



V0080-25: Adjustment of the taxable amount following initiation of a liquidation plan under the special procedure for microenterprises

The DGT analyses whether the taxable base of a VAT invoice can be adjusted in a case where the customer has failed to pay and has notified the commencement of a liquidation plan under the special procedure for microenterprises introduced by Law 16/2022 (which amends Spain's Insolvency Law).

Article 80.Three of the VAT Law allows for a reduction in the taxable amount where the customer has not paid the VAT and a court order declaring insolvency is issued after the taxable event.

After reviewing the features of the new special procedure applicable to microenterprises, the DGT notes that a literal interpretation of Article 80.Three could exclude microenterprises from its scope, as they are subject exclusively to this new procedure and do not have access to standard insolvency or restructuring proceedings.

To avoid a restrictive interpretation contrary to the purpose of Article 80.Three, the DGT states that this provision must also apply to microenterprises under the special procedure.

The reference in Article 80.Three to the "court order declaring insolvency" must, in this context, be interpreted as referring to the order initiating the special procedure.

In any case, the DGT stresses that the adjustment must be made within three months from the publication of the order in the Public Insolvency Registry.

V0084-25: Hospitality-type services following regulation of tourist dwellings by the Valencia Region

Ruling V0084-25 addresses the VAT treatment of a taxpayer renting out tourist dwellings in the Valencia Region after the entry into force of new regional rules regulating such properties.

Under Article 20.One.23 of the VAT Law, rentals of buildings or parts thereof for residential use are exempt from VAT. However, the exemption does not apply to furnished apartments or dwellings where the landlord provides hospitality-type services such as restaurant service, periodic cleaning, laundry or similar.

Decree-Law 9/2024 of 2 August, issued by the Valencia Regional Government, introduced minimum service requirements for tourist dwellings. These include reception, cleaning, and linen replacement. The decree also clarifies that services such as cleaning, laundry, linen change, repairs, maintenance, and waste collection must be provided by the owner or operator—either directly or through third parties—not merely by referring clients to an external provider.

The DGT concludes that tourist dwelling rentals will remain subject to and not exempt from VAT when hospitality-type services are rendered. This must be assessed on a case-by-case basis.

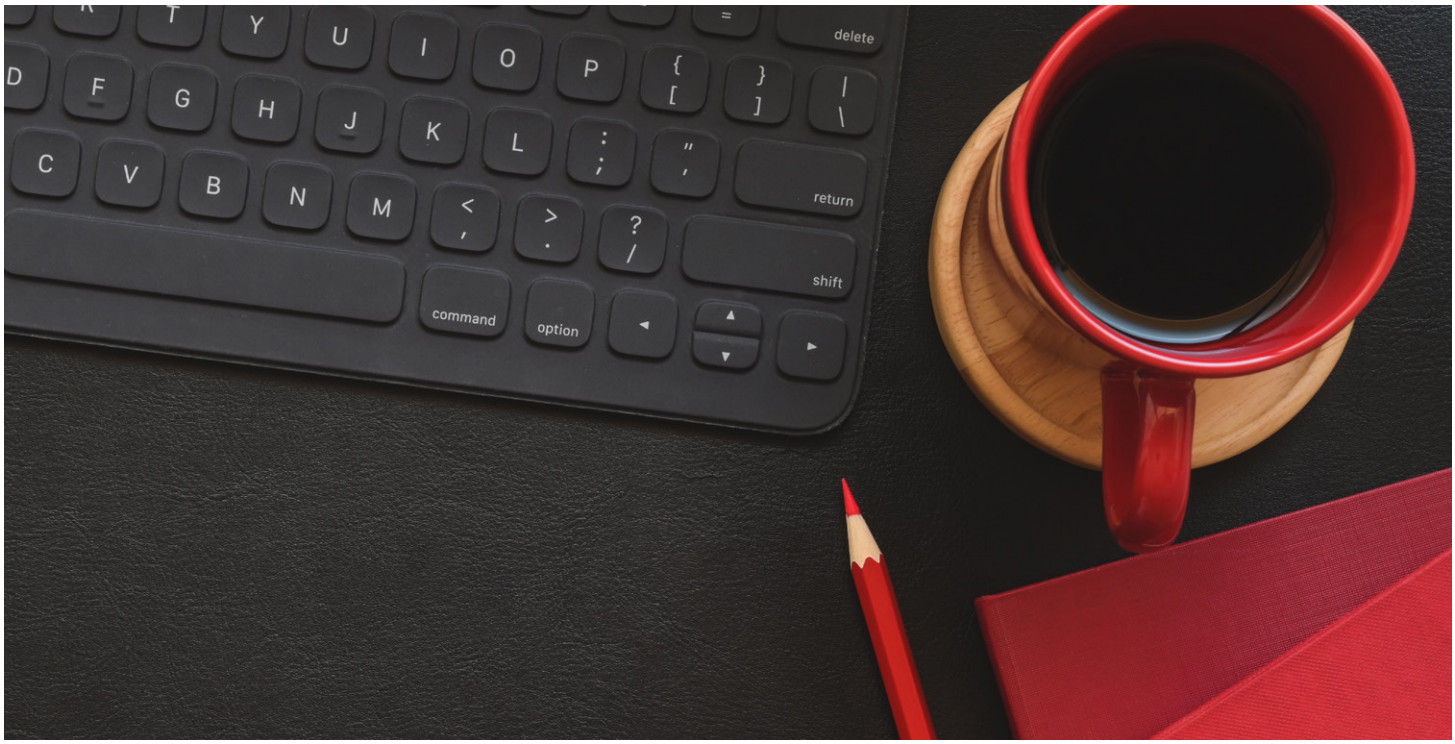
V0088-25: Deductibility of input VAT on a partially business-used vehicle.

This ruling concerns the deductibility of input VAT on a vehicle purchased by a company providing consultancy and legal services, where the vehicle is partially used for business purposes.

Article 95 of the VAT Law allows input VAT deduction only for goods directly and exclusively used for business purposes. However, for investment goods—including vehicles—a partial business use is presumed at 50%, provided this can be proven by any legally admissible means.

Therefore, a 50% business use is presumed once the link to business activity is demonstrated, and a different percentage (higher or lower) may also be admitted if properly evidenced.

Regarding how to demonstrate the extent of business use, the DGT states that any legally accepted form of evidence is valid, except for self-declarations (such as the VAT return itself) or accounting entries alone. However, proper bookkeeping remains a necessary condition for exercising the right to deduct.



V0090-25: Amendment of invoices issued to the landowner during urbanisation works where the land is subsequently sold.

In this ruling, the DGT analyses whether invoices issued by a fiduciary Compensation Board managing urbanisation works must be amended when a landowner sells their property.

The DGT notes that the landowners, by receiving urbanisation services from the Board, are deemed to be carrying out a business activity for VAT purposes as developers of the land, pursuant to Article 5 of the VAT Law, unless they already qualified as taxable persons.

Urbanisation services provided by the Compensation Board to the landowners are subject to reverse charge under Article 84.One.2.F) of the VAT Law, as these are considered directly contracted works for land development.

According to the facts, before selling the land, the owner had unpaid invoices for urbanisation charges. The DGT explains that an obligation involves a legal relationship in which one party (the debtor) is bound to perform a service in favour of another (the creditor), who holds the corresponding right to demand it.

In this case, the recipient of the urbanisation services relating to the pre-sale charges was the original landowner. Therefore, the invoices issued to that original owner cannot be amended simply because the new owner has subsequently paid those invoices.

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