

Barcelona, 20 November 2018

Dear client,

The purpose of this circular letter is to remind you that VAT relating to bad debts can be recovered from the Tax Administration by means of the procedure for adjusting the tax base provided for in Article 80 of the VAT Act, which envisages very brief terms for the actual recovery of the amounts concerned.

The main aspects of this procedure for recovering output VAT are as follows:

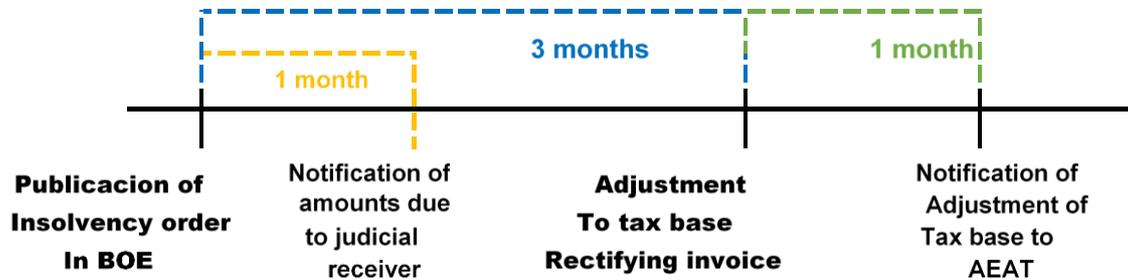
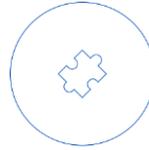
- Formal obligation to issue a rectifying invoice in a single series, which must be sent by a duly attested means to the recipient party in the transactions and, in the event of insolvency proceedings, to the official receiver.
- The adjustment and notification must be carried out in a brief period of time.
- The notification to the Tax Administration must be sent electronically using a specific form, based on the period affected by said adjustment.
- The existence of two instances in which this adjustment to the tax base may be made, which are summarised below.

**1. TRANSACTIONS INVOLVING INSOLVENCY PROCEEDINGS (Article 80. 3 VAT Act)**

In this case, the VAT Act stipulates that the tax base may be reduced when the recipient in the transactions has not paid the VAT charged and the debtor has officially been declared to be insolvent.

The **period** for adjusting the tax base is **3 months** as from the day following the publication of the insolvency order in the Official State Gazette (applicable in ordinary and fast-track procedures). The period for notifying the Administration is **1 month**.

The creditor is not obliged to **make an upward adjustment to be tax base again**, except when the conclusion of the insolvency is agreed in certain conditions.

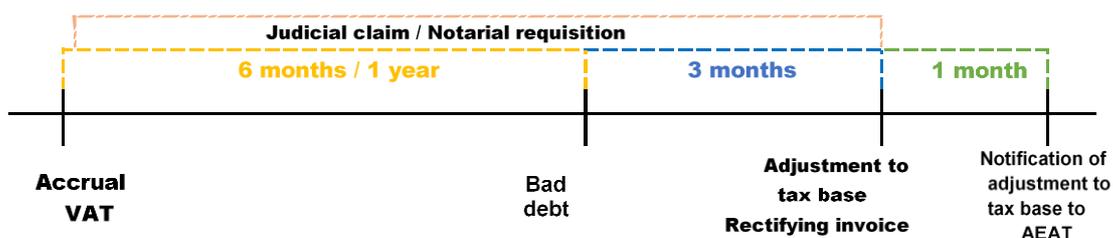


**2. TRANSACTIONS CONSIDERED TO BE FULLY OR PARTLY UNCOLLECTABLE (Article 80. 4. VAT Act)**

In this case the VAT Act stipulates that the tax base may be reduced when the credits relating to output VAT are totally or partly uncollectable. In this respect, principally, the following will be necessary:

- **Filing of a judicial claim** or notarial requisition to the debtor to obtain payment of the debt, and **one year** having elapsed **since the accrual of the output VAT** (in the case of businesses or professionals whose business volume in the preceding calendar year does not exceed €6,010,121,04 the term may optionally be **6 months - SMEs**).
- This will be formalised in a **term** of 3 months by issuing the rectifying invoice and the Administration must be notified during the month following the date of such rectification.

The creditor may not make an upward adjustment to the tax base if, following the adjustment, it receives the outstanding amount fully or partially. Exceptionally, the adjustment will be made if the recipient is not acting as a business or professional and if the taxpayer withdraws the judicial claim or reaches an agreement on payment with the debtor following the notarial requisition.





Circular Letter 13 / 2018

Recovery of VAT  
Bad debts

The professionals that regularly work with your company are entirely at your disposal for any clarification or additional information you may require in relation to the content of this Circular Letter.

Yours faithfully,  
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The sole aim of this Circular Letter is to provide its recipients with a selection of general information items about novelties or issues of a labour, tax or legal nature, without this constituting professional **advice** of any kind or being sufficient for the making of personal or business decisions.

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