

CIRCULAR

ADDITIONAL MEASURES APPROVED BY THE ROYAL DECREE-LAW 11/2020, 31st OF MARCH, OF COMPLEMENTARY AND URGENT MEASURES TO COPE WITH THE ECONOMIC AND SOCIAL IMPACT OF COVID-19

This new Royal Decree-Law approves a new package of social and economic measures to cope with the economic and social impact of COVID-19.

It enters into force on April 1st, 2020 and determines the extension of the duration of all the measures adopted so far, during a period of one month after the end of the state of alarm, except for certain measures in which a specific period of duration is established.

In line with our last Circular, from ARCO ABOGADOS Y ASESORES TRIBUTARIOS, S.L.P. we want to continue informing about the most relevant aspects of the new Royal Decree-Law giving a general overview, remarking, again, that this document is aimed at informing about an exceptional event and, consequently, is subject to future arrangements and changes that will take place.

Below, you will find a general overview of the measures enacted by the Spanish Government.

I. MEASURES TO SUPPORT VULNERABLE EMPLOYEES, CONSUMERS, FAMILIES AND GROUPS.

A. Suspension of evictions

The Royal Decree-Law orders the suspension of evictions for vulnerable homes without alternative housing, for a maximum period of six months.

B. Measures in relation to lease agreements.

In this field, the Royal Decree-Law 11/2020 adopts following measures in order to cope the difficulties of individuals to pay the rent debt of their principal residence, who are in a position

of economic vulnerability caused by COVID-19: (i) Extraordinary extension of leases; and (ii) Moratorium measures on tenancy debt.

C. Mortgage moratorium

The areas of application of the suspension of mortgage payments on a principal residence, approved by Royal Decree-Law 8/2020, have been extended to properties related to a professional activity, with substantial a loss of income, and to non-residential properties in rental situation, for which the mortgage debtor has stopped receiving the rental income.

D. Suspension of obligations derived from credit contracts without mortgage guarantee.

Measures are adopted for individuals who are in a position of economic vulnerability, in order to suspend temporarily the obligations derived from loans or credits without mortgage guarantee.

II. MEASURES TO SUPPORT SELF-EMPLOYED

A. Moratorium on contribution payments:

The Social Security General Treasury can grant interest-free six-month moratoriums, to companies and self-employed workers that meet the requirements and conditions that will be laid down in a ministerial order.

B. Deferral of contributions

Companies and self-employed workers, provided they do not have any other deferral in effect, may apply for deferred payment of their social security debts.

III. MEASURES RELATED TO CONSUMER PROTECTION.

A. Consumer's and users' right to terminate certain agreements without penalty.

The consumers and users are enabled during a period of 14 days to request the termination of those agreements for the sale and purchase of assets and for the provision of services, that

are impossible to perform as a consequence of the measures adopted during the state of alarm.

However, the consumer's claim can only be estimated in those cases where the parties fail to agree on a proposal for the review of the agreement, that restores the reciprocity of interests of the contract.

The proposals for revision may include, among others, the offer of substitute vouchers.

In agreements for the provision of a service over a period of time, the service provider shall refrain from submitting new monthly payments until the service can be provided normally, without this resulting in the termination of the contract.

B. Package tours.

In the case of agreements for package tours, which have been cancelled due to COVID19, the organizer or the retailer may deliver a voucher to the consumer or user, to be used within one year from the end of the validity of the state of alarm and its extensions, for an amount equal to the refund that would have been due. Should it not be used within that period, the consumer may exercise the right to a refund. This voucher must have enough financial support to guarantee its execution.

IV. MEASURES TO SUSTAIN ECONOMIC ACTIVITY IN THE FACE OF TRANSITORY DIFFICULTIES CONSEQUENCE OF COVID-19

A. Measures to support industry.

In this field, following measures are approved:

- a) The term for the provision of guarantees, for loans granted by the SGIPYM, has been modified.
- b) The beneficiaries of the above-mentioned loans may request modifications to the amortization table, in case of refinancing of loans granted by the SGIPYME.

c) Measures are adopted for the reimbursement of expenses and for the granting of public aids, by the ICEX Spain Export and Investment, in favour of those companies whose international trade promotions and other international events have been cancelled

d) The payment of interest and instalments corresponding to loans granted by the Secretary of State for Tourism under orders IET / 2481/2012 is suspended, generally, without the need for a prior request and for a period of 1 year.

B. Measures in the energy industry.

In this field, certain measures are adopted to make contracts for electricity and natural gas supply more flexible for self-employed and companies during the period of state of alarm.

During the period of state of alarm, the suspension of bills for electricity, natural gas and petroleum products is established for companies and freelancers who meet the established requirements.

V. DEFERRED CUSTOMS DEBT REGIME

Regarding the debts derived from customs declarations, the customs debts presented from April 1 to May 30, 2020, both inclusive, will be subject to a sole deferral for a period of six months, provided the recipient of the imported merchandise has had in 2019 a volume of business below 6,010,121.04 €. No default interest will be accrued during the first three months of deferment.

Said deferral will not be applicable to VAT.

VI. SUSPENSION OF DEADLINES IN THE AREA TAXATION OF AUTONOMOUS COMMUNITIES AND LOCAL GOVERNMENTS.

The suspension established in Royal Decree-Law 8/2020 will also apply to the following procedures:

- To those that are governed by the General Tax Law and that are carried out and processed by the Tax Administrations of the Autonomous Communities and Local Entities.

- To those who are governed by the Regulatory Law of Local Taxation.

I. EXTENSION OF THE DEADLINE TO APPEAL THROUGH ADMINISTRATIVE PROCEEDINGS

The computation of the term to file appeals in administrative proceedings, in any procedure from which adverse effects or tax consequences may trigger for the interested party, will be computed from the business day following the date of completion of the declaration of the state of alarm.

In particular, the calculation of the term to file reversal appeals or economic-administrative claims will start from April 30, 2020.

From a tax perspective, the same measure will be applicable to the reversal appeals and claims that are regulated in the Local Tax Regulatory Law.

II. MEASURES IN THE FIELD OF BANKRUPTCY PROCEEDINGS

A. Application of the procedures for suspension of labour contracts and reduction of working hours to bankrupt companies.

Under the provisions of the Royal Decree-Law 11/2020, the companies in bankruptcy may file proceedings for the suspension of labour contracts and reduction of working hours for a major cause or for economic, technical, organizational and production reasons in the terms established in articles 22 and 23 of the Royal Decree-Law 8/2020.

B. Provisions regarding bankruptcy proceedings.

In relation to the aforementioned, certain provisions are regulated depending on whether or not a decision has been issued by the Judge agreeing on the aforementioned employment measures on the date of entry into force of the Royal Decree-law, that is, April 2nd, 2020.

III. MEASURES IN THE FIELD OF PUBLIC PROCUREMENT.

The following new developments are introduced:

- The inclusion of the possibility to partially suspend service and service contracts and supplies of successive provision. In such case, the eventual compensation will be in accordance to the part of the contract that has been suspended.
- It is specified that the salary expenses to be paid by the contracting authority in cases of suspension, related to the personnel affected by the recoverable leave, will be considered as a credit.
- Regarding the work contracts that had the end of the execution period foreseen between March 14 and during the period of the alarm state, the contractor's faculty to request an extension of the final delivery time of the work.
- Cleaning and security contracts may be suspended totally or partially, in the event of total or partial closure of the facilities where the service is carried out as a consequence of the measures adopted by the different Public Administrations.
- Compensatory salary expenses during the suspension period include contributions to Social Security.
- When required by the recovery period of investments directly related to the contract, it is allowed to establish a term of duration greater than the maximum of five years in supply and service contracts.

IV. MODIFICATIONS IN THE CORPORATE COMMERCIAL FIELD:

Royal Decree-Law 8/2020 is amended in the corporate commercial field, as indicated below:

- During the period of state of alarm and even when the statutes have not foreseen it, the sessions of government and administration of the companies, as well as the meetings of partners may also be held by means of a multiple conference call, if the requirements established for it are met.
- The formulation of the annual accounts carried out by the governing or administrative body of a company during the state of alarm will be valid, and it will also be possible to

carry out its accounting verification within the legally established period or taking advantage of the two-month extension counting from the end. of the alarm state.

- The companies that, having formulated their annual accounts, call the ordinary general meeting from the entry into force of this law, may replace the proposal for the application of the result contained in the report with another proposal.
- In the case of companies whose ordinary general meeting is called, the management body may withdraw the proposal for the application of the result from the agenda.
- The certification of the administrative body for the purposes of the deposit of accounts will be limited, where appropriate, to the approval of annual accounts, subsequently presenting in the Commercial Register complementary certification relating to the approval of the proposed application of the result.
- With respect to listed companies, it is provided that they may also modify or defer the proposed distribution of results.

V. OTHER MEASURES.

A. Extraordinary postponement of the repayment schedule on loans granted by Autonomous Communities and Local Authorities entrepreneurs and freelancers.

Those companies and self-employed workers who are borrowers of financial credits or loans whose ownership corresponds to an Autonomous Community or Local Entity may request the deferment of the payment of principal and / or interest to be satisfied for the rest of 2020.

B. Measures regarding subsidies and public aid.

In the procedures for granting subsidies, the orders and resolutions to call and award subsidies and public aid, which had already been granted at the time of entry into force of Royal Decree 463/2020, may be modified to extend the deadlines for execution of the subsidized activity and, where appropriate, justification and verification of said execution.

Resolutions and granting agreements may also be modified at the request of the beneficiary.

C. Procedural facilitation.

According to the Additional Provision Nine it is approved an Action Plan to streamline judicial activity in the social and contentious-administrative jurisdictional orders as well as in the field of commercial Courts, once the declaration of the alarm status is finished.

D. Availability of pension plans.

During the period of six months from the entry into force of Royal Decree 463/2020, participants in pension plans may, exceptionally, make effective their consolidated rights in the contemplated cases.

E. Legal regime of capital movements and economic transactions abroad and on certain measures to prevent money laundering.

On the one hand, the procedure for prior administrative authorization of foreign direct investment operations included in article 7 bis of Law 19/2003, of July 4, is modified.

Likewise, temporarily and until the minimum amount below which foreign direct investment operations will be exempt by regulation, investment operations whose amount is less than 1 million euros will be understood as exempt from the obligation of prior authorization.

On the other hand, Law 19/2003 of July 4, on the legal regime of capital movements and economic transactions abroad and on certain measures to prevent money laundering is amended, as indicated below:

- Section 6 of article 7 bis is deleted, in which it was established that the suspension of the liberalization regime of certain foreign direct investments in Spain would be in force until it was lifted by opinion of the Council of Ministers Agreement.
- Section 1 of article 7 bis is amended, including as a foreign direct investments in Spain also those made by residents of countries of the European Union or the European Free Trade Association whose real ownership corresponds to residents of countries outside the European Union and the European Free Trade Association.

- It will be understood that such real ownership exists when the latter own or control, directly or indirectly, a percentage greater than 25% of the investor's capital or voting rights, or when by other means they exercise, directly or indirect control.