

ROYAL DECREE-LAW 7/2026 OF 20 MARCH

On 20 March 2026, Royal Decree-Law 7/2026 **was published in the Official State Gazette**, whereby the Spanish Government adopted certain urgent measures in response to the situation caused by heightened international energy tensions resulting from the conflict in the Middle East and the blockade of the Strait of Hormuz. For the purposes of this information note, we will focus exclusively on the tax measures affecting the hydrocarbons sector.

One of the central measures of RDL 7/2026 is the **reduction of the Special Tax on Hydrocarbons** to the **minimum allowed** by European regulations.

This decision is temporary and will be in force, in principle, until **June 30, 2026**. However, its continuity is not guaranteed, as the decree itself introduces a revision clause linked to the **CPI**: if in April 2026 the fuel index is not more than 15% higher than that recorded in April of the previous year, the measure will cease to apply in June.

This mechanism turns the CPI into a real regulatory switch, introducing an element of uncertainty that conditions both operators and consumers.

At the same time, the **reduction of VAT from 21% to 10%** for petrol, diesel and biofuels is established, also on a

temporary and cumulative basis with respect to the reduction in the IIEE.



On paper, this measure has a direct and immediate impact on the final price. However, its real effect is more complex. VAT is applied on a taxable base that already includes excise duty, which implies that the system continues to incorporate a "tax on tax" effect.

Furthermore, in a context of rising crude oil prices, the taxable base increases, which may maintain (or even increase) total revenue despite the reduction in the rate. In this sense, the VAT reduction largely operates as a nominal adjustment that does not necessarily translate into proportional relief for consumers.

Another relevant modification concerns professional diesel. During the same period, the partial refund granted to beneficiaries is abolished and replaced with direct aid of **0.20 €** per litre.

From an operational standpoint, this measure is more effective in the short term, as it clearly increases economic

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support for hauliers, given their direct dependence on fuel. However, it remains temporary in nature and does not alter the structural elements of the tax system.

The decree also provides for specific aid to sectors such as transport, agriculture and fishing, aimed at offsetting the increase in energy costs. Although necessary in the short term, these measures do not affect fuel price formation but rather act as ex post corrective mechanisms.



In addition to all this, the intervention of the National Commission on Markets and Competition (**CNMC**) will intensively supervise the sector's margins during the three months following the entry into force of the RDL.

Wholesale operators will be required to report their costs and prices on a weekly basis, and a report is expected to be published by **May 31, 2026**. This mechanism introduces an additional element of regulatory pressure, especially

in a context in which the transfer of tax reductions to the final price may not be immediate or linear.

Ultimately, the analysis of RDL 7/2026 highlights a structural reality: the formation of fuel prices in Spain is largely determined by its fiscal framework.

Although the measures adopted introduce relevant short-term adjustments, they do not modify the fundamental elements of the system.

The tax burden remains high, the interaction between taxes continues to produce cumulative effects, and dependence on the international context remains decisive.

Therefore, presenting the VAT reduction as an effective solution may, to some extent, constitute an oversimplification.

In this regard, the evolution of the final price will continue to depend, to a greater extent, on the behaviour of the energy market and the underlying tax structure.

With respect to the **IVPEE (Tax on the Value of Electricity Production)**, the taxable base will be reduced quarterly by 10% of the remuneration corresponding to the electricity incorporated.

In addition, there is a reduction in the **IEE (Special Tax on Electricity)**,

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which goes from **5.11% to 0.5%**, during **the same period indicated.**

We hope these comments are useful. For further information, please contact the VAT, Customs and Excise Department of **bln palao abogados, S.L.P.**

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