

Doing Business in Spain



Presented by:

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Abauding
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About SPAIN



Population: 47 million

GDP: 1,118 billion EUROS

GDP per capita: 24,100 Euros

**GDP per sectors: Agriculture 3,2 %, Industry 25,8%,
Services 71%**

**Main cities: Madrid (capital), Barcelona, Bilbao,
Valencia, Palma de Mallorca, Las Palmas de Gran
Canaria, Sevilla, A Coruña, Málaga, Murcia.**



Spain is one of the leading global economic powers: the 7th largest recipient of FDI worldwide. Spain's appeal for foreign investors lies not only in its domestic market, boasting considerable purchasing power, but also in the possibility of operating in third-country markets using Spain as a base, courtesy of its privileged geostrategic position: it belongs to the European Union and is the gateway to North Africa and Latin America (due to its strong economic, historic and cultural ties in this latter case).

Furthermore, Spain is a modern knowledge-based economy with services accounting for 68.94 percent² of economic activity.

The country has become a center of innovation supported by a young, highly-qualified work force and competitive costs. In these pages you will find Spain's vital statistics - the latest facts and figures which explain the demographics, the political framework and the economic structure of the country.

Spain has one of the most attractive domestic markets in Europe, with 47 million potential consumers, on top of the 75,3 million tourists who visit this country every year. Indeed, Spain is the world's 16th largest economy in terms of GDP and 5th largest in the European Union.

Moreover, it must be highlighted that, in terms of purchasing power, Spain's per capita income is significantly higher than that of some other major economies ranked above Spain. In other words, in terms of purchasing power, the Spanish market is larger than many of the more consolidated and dynamic emerging economies.



SPAIN



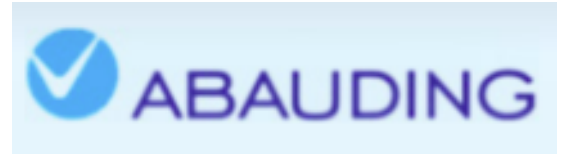


[Autonomous communities of Spain](#)



ABAUDING

About us



ABAUDING is a national auditing and business consulting firm, established by professionals with extensive national and international experience in the sector. The firm gathers experienced professionals in the areas of audit and business consultancy, formed in the most prestigious multinational companies, whose methods know and develop a differentiating factor: the direct care and attention towards clients.

In the international arena, ABAUDING is the national member of IAPA International, audit and accountancy firms in the world, with more than 170 members and 63 countries, providing professional services to national and international companies and organizations in the country where needed.

We have offices in Barcelona and alliances with others firms around the Country, to provide services in each single corner of the map.

Our Mission

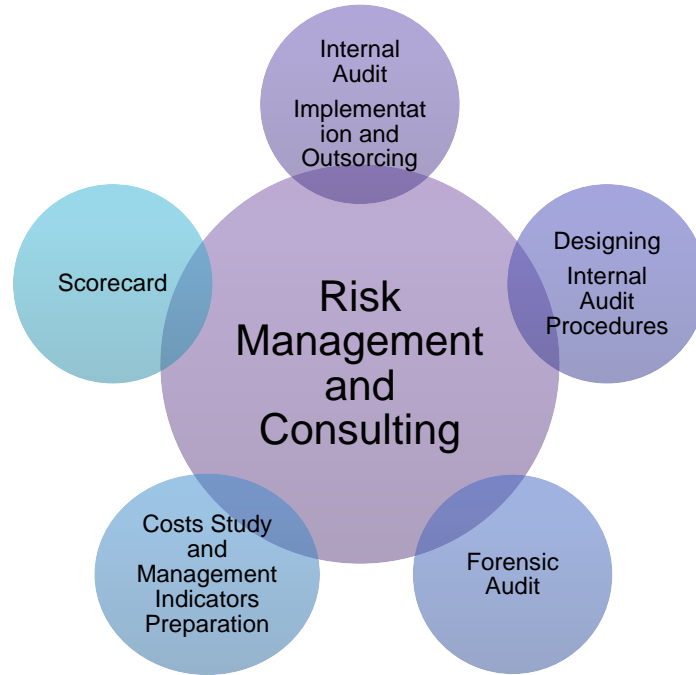
- Adding value to our customers based on our extensive experience and their particular needs.
- Fulfillment of our work with precision and professionalism
- Be highly proactive and responsible.

Under this approach, we maintain an absolute willingness to collaborate with our clients in solving all those issues which, by their special complexity or by their implications towards third parties, could cause problems if not detected and solved effectively, involving ourselves directly in finding the right solution.

Our Services: Financial Audit, Tax and Consulting



Other Services: Risk Management



Key corporate structures that global clients face when planning to do business in Spain



Type of Companies

- **Sociedad Anónima (SA)**
 - Share Capital > 60,000€
 - Shares can be sold to anybody
 - AGM or EGM calls BOE and press
- **Sociedad de Responsabilidad Limitada (SL o SRL)**
 - Share Capital > 3,000€
 - Shares can not be negotiated, must be offered to the Company or other shareholders
- **Sociedad Unipersonal (Sole Shareholder)**
 - Always mention that is sole shareholder (SLU - SAU)
 - AGM or EGM are called “Sole shareholder decisions”)
 - Contracts between Soleshareholder and Company must be registered
 - Once registered at the mercantile register as “soleshareholder” responsibility only for the sharecapital.

Type of Companies

- Incorporation:
 - Company Name Application
 - Share Capital transferred to bank account or Assets contribution
 - Notary Deed of incorporation:
 - ❖ Name, Domicile, Share Capital, Directors, Accounting Year End, Shares transmission limitations, others
 - Obtain Tax number
 - Registered at Mercantile Registry
 - Start to operate

Shareholders and Directors must obtain a fiscal number in Spain

Type of Companies

- **Subsidiary**

- Parent Company own SL or SA
- Limited liabilities to SL share capital
- Not limited expenses
- Profits at corporation tax rates
- Dividends taxed at 19%(except EU and Tax Treaties)

- **Branch (Permanent establishment)**

- Not independent from parent Company
- Parent Company ilimited liabilities
- Profits, limited expenses not deductible for royalties, interest, comisions to parent co.
- Profits at corporation tax rates
- Dividends taxed at 19%(except EU and Tax Treaties)

Key tax areas that global clients face when planning to do business in Spain



Taxes: moderate tax burden

- A favourable tax rate on corporate income (30% and 25% for SMEs), below USA and OECD average. Corporate tax will be reduced from 30% to 28% for tax year 2015, and to 25% in 2017 (20% for SMEs).
- Reduced corporate tax rate (15%) for companies established on or after January 1, 2013. The reduced rate will be applicable for the first two years that the company is generating profit:
- An attractive allowance and deduction system in corporate tax (20.1% effective rate).

Taxes: moderate tax burden

- Participation Exemption system: dividends or profit participations from business activities carried on abroad through subsidiaries or branches and the gains obtained from the transfer of these securities are tax exempt in Spain if the Spanish company holds a participation of at least 5% in the non resident company.
- Favourable tax incentive for foreign workers: fixed rate of 24% (up to maximum of 600,000 €).
- Spain has tax treaties with 88 countries. Under these treaties, residents in foreign countries are taxed at a reduced rate, or are exempt from Spanish taxes on certain items of income they receive from sources within Spain. These reduced rates and exemptions vary among countries and specific items of income.

Taxes: moderate tax burden

- Favorable fiscal system for foreign investors and R+D activities: The 2nd most favorable fiscal incentives for R&D among OECD countries.
- In addition, the Spanish CIT law introduced a patent box type of incentive. Under this regime 60% of net income arising from the letting of the right to use certain qualifying intellectual property (IP) rights are tax-exempt.
- ETVE: “Empresas de Tenencia de Valores Extranjeros”: “Spanish Holding Companies”

Corporate Income tax

- Tax profit = Net profit before tax \pm Adjustments
- Adjustments:
 - Depreciation: Legal %, or proposed %
 - Non deductible expenses: penalties, tax heavens invoices non justified
 - Interest from related companies.
 - Shares depreciation
 - Financial Interest > 1.0000.000€ with the limit of 30%EBITDA, can be deducted in following 5 years

Corporate Income tax

- Compensate losses during 18 years,
 - but if losses > 1,000,000€, limit of 60% profits +reserve (2016)
 - Companies with turnover > 6,010,121,04€ (2015) limit 50% or 25% depending turnover >60mm

Corporate Income tax

Tax rates

ERD: Turnover < 10.000.000€

	2017
Normal rate	25%
ERD profits < 300.0000€	
ERD profit <1.000.000€	25%-2,5%
ERD profit >1.000.00€	25%
New Co (first 2 years profits)	15%
Investments Funds (include Real Estate Funds)	1%

Corporate Income tax

ETVE: “Empresas de Tenencia de Valores Extranjeros”

- “Spanish Holding Companies”

- Object: Holding Company investing in non resident companies
- Shares must be nominatives
- This special tax regime must be informed to the tax authorities

- Dividends or gains obtained from non resident subsidiaries companies and paid to Non residents shareholders are not considered obtained in Spain.

- The attractiveness of ETVEs goes beyond the pure Tax Holding Regime. The ETVE regime is an opportunity for international investors to channel their outbound investments (in Europe, LATAM and other countries) through Spanish HoldCos.

Corporate Income tax

ETVE: “Empresas de Tenencia de Valores Extranjeros”

CHINA



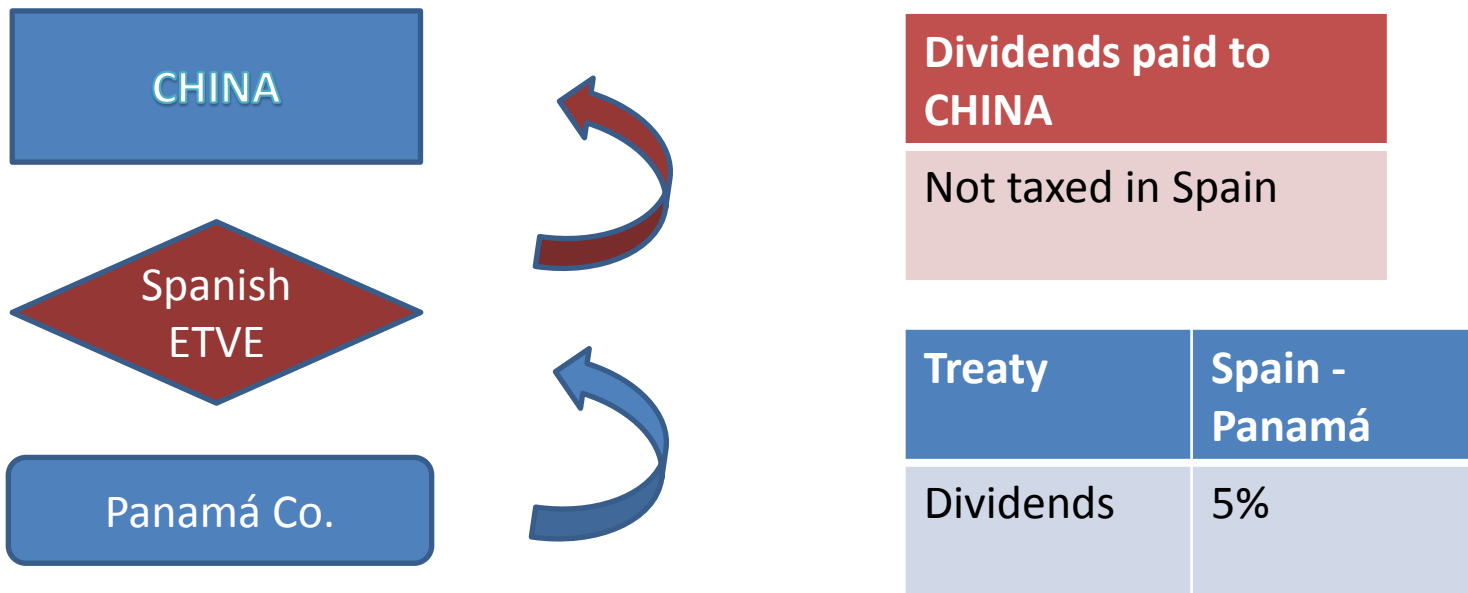
Panamá Co.



No treaty	
Dividends	10%

Corporate Income tax

ETVE: “Empresas de Tenencia de Valores Extranjeros”



PERSONAL INCOME TAX

TAX RESIDENCE CRITERIA

Individuals shall be deemed to have their principal residence in Spain if they meet any of the following conditions:

- **They spend more than 183 days per calendar year in Spain. Occasional absences shall be taken into account to calculate the period of residence, except when said individuals prove they have their tax residence in another country.** In the case of countries or territories classified as tax havens, the Spanish tax authorities may request proof of residence in the tax haven for 183 days per calendar year.

PERSONAL INCOME TAX

- Calculation of the period of residence shall not take into account any temporary stays in Spain that are the result of obligations arising from cultural or humanitarian collaboration agreements entered into with the Spanish public administration with no payment involved.
- **Their main or central place of business is directly or indirectly located in Spain.** Unless there is evidence to the contrary, an individual shall be deemed to be a resident of Spain if, in accordance with the aforementioned criteria, his or her legally non-separated spouse and dependent minor children have their principal residence in Spain.

PERSONAL INCOME TAX

Individuals of Spanish nationality who prove they have changed their country of residence to a tax haven (Appendix III) shall continue to be liable for Personal Income Tax (IRPF) in Spain for the tax period in which the change of residence occurs and the following four tax periods.

An individual shall be deemed to be a resident or non-resident for the entire calendar year, given that a change of residence does not give rise to an interruption of the tax period.

PERSONAL INCOME TAX

- General PIT TAX RATES (could vary a little bit depending on the Autonomous Community of residence).

- **Tax on capital gains and investment income:**

Income band

Up to €6,000	19%
€6,000 to €50,000	21%
Over €50,000	23%

- **Tax on other income after allowances and deductions:**

Income band

Up to €12,450	19%
€12,450 to €20,200	24%
€20,200 to €35,200	30%
€35,200 to €60,000	37%
Over €60,000	45%



EXPATS EMPLOYEES(Beckham Law)

- The regulation of this legal framework is stated in art. 93 Income Tax Law and arts. 113-120 of the Royal Decree 439/2007.
- This tax rate for expats could be advantageous to avoid paying the upper levels of the rate table applicable to Spanish residents. In order to qualify, the expatriate must meet the following:
- Expats must not have been a resident in Spain at any previous time during the 10 years before their current work or position in Spain.
- Their position must be under a legal employment contract with a Spanish company or through secondment employment, or with a non-resident company holding a permanent establishment (i.e. a branch) in Spain.

EXPATS EMPLOYEES

- The work must be performed in Spain, although some flexibility is allowed.
- The expat's income must be subject to Spanish NRIT (Non-Resident Income Tax).
- The salary paid to the expat cannot surpass 600.000€ during the fiscal year when the specific regime is applied.
- This regime is optional and must be applied during the next 6 months after the registration of the expat in Spanish Social Security.
- Flat tax rate 24% from 2015 onwards.



SPECIFIC LEGAL RESIDENCE FOR FOREIGNERS

Law 14/2013 of September 27, on support to entrepreneurs and their internationalization: measures aimed at facilitating the entry and stay in Spain of non-EU foreign investors who wish to acquire real estate (Golden Visa).

Investment in real estate: Among the cases treated as a significant financial investment is the acquisition of real estate in Spain with an investment of €500,000 or more, per applicant.