Doing Business in Spain

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PKF is a global family of legally independent firms bound together by a shared commitment to quality, integrity and the creation of clarity in a complex regulatory environment.

With offices in 513 cities, we operate in 150 countries across five continents and specialise in providing high quality audit, accounting, M&A, tax, information technology and business advisory services to international and domestic organisations in all our markets.

PKF Attest

We are currently the ninth largest firm specialising in consultancy services in Spain, and the 15th largest worldwide.

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Foreword

This PKF 'Doing Business in Spain' publication provides an overview of the most important aspects of doing business in Spain and we trust it will be both informative and useful.

After growing by 3.2% in 2024, the Spanish economy is expected to continue to grow above the eurozone average in 2025, supported by buoyant household consumption and recovering investment. Significant geopolitical challenges and weak European growth emerge as the main risk factors. Investment in Spain will place any business in a favourable position to take advantage of the improving economy going forward. Spain remains an attractive place for doing business given the prestigious international companies based here and the ease with which a company may be established. Although Spain was impacted by the global health crisis caused by COVID-19, the Spanish economy managed to recover, driven by strong services exports, population growth and government consumption.

This 'Doing Business' guide captures several important dimensions of the regulatory environment as it applies to local firms. It provides insights into the key considerations when starting a business, dealing with construction permits, getting electricity, registering property, obtaining credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

PKF Attest believes that Spain is a country with a committed and highly skilled population, where the quality of work and the focus on long-term goals prevail over short-term benefits for the individual. We are very experienced in supporting clients as they enter the Spanish market and assist in many areas of business. Notably, PKF Attest specialises in the following areas:

- Auditing
- Consulting
- Corporate services
- Business advice
- Taxation compliance and advice services
- Outsourcing
- Human resources
- Information technologies
- Environmental, social and governance (ESG)
- Public aid
- Research and development (R&D) incentives

Demographic and Environmental Overview

A Profile of Spain

Spain is one of the largest economies in the world, with great appeal for foreign investment.

The attraction for foreign investment is evidenced by Spain's geostrategic position within the European Union, a position which provides access to the markets of Europe, the Middle East and Africa. Moreover, Spain has a strong relationship with South America, due to the close economic relations between the Spanish state and the companies and states in the region, thanks in part to the history they have shared and their cultural similarities.

Official Country Name

Kingdom of Spain.

Monarch

HM the King Felipe VI (2014).

Geography

Land area: 499,542km²; total area: 504,782km² (including the Balearic and Canary Islands).

Spain occupies 85% of the Iberian Peninsula, which it shares with Portugal, in south-west Europe. Africa is less than 16km south across the Strait of Gibraltar. A large central plateau slopes to the south and east, crossed by a series of mountain ranges and river valleys. Off Spain's east coast in the Mediterranean are the Balearic Islands (5,014km²), the largest of which is Majorca. Ninety-seven kilometres west of Africa are the Canary Islands (7,273km²).

Climate

Spain is extremely hot in July and August. During the rest of the year, the climate is generally temperate in the north, but warm in the south.

The best time to visit is in spring or autumn, except for the Atlantic coast, which has heavy rainfall in October and November. August is the busiest month, while May and October are the best times because the weather is ideal, and the country is less crowded. Madrid and the high central area can be very cold in winter.

Geographical and Political Context

Spain is one of the largest economies of the world and is made up of 19 autonomous communities, each with its corresponding government. Certain differences may consequently be observed in the legislation which falls within the competence of one autonomous community or another.

Government

Spain has a parliamentary monarchy. It has three independent branches of government:

- **Executive**: King Felipe VI represents the state in international relations.
- **Legislative**: This branch is represented by parliament.
- **Judiciary**: This independent branch of government is represented by independent judges, with the highest court in Spain being the Supreme Court.

Population

Population	49,077,984 inhabitants on 1 January 2025 (the resident population increased by 442,391 people during 2024)
Birth rate	Increased by 0.43% in 2024; average number of children per woman – 1.12 (2024)
Mortality rate	Infant mortality rate – 2.59 per 1,000 live births (2023, according to the National Statistics Institute (Instituto Nacional de Estadística, INE))
Life expectancy	83.77 years (2023)
Capital and largest city	Madrid, with a population of 3,416,771 inhabitants (2025)
Other large cities	Barcelona (1,702,547 inhabitants); Bilbao (348,089 inhabitants); Valencia (825,948 inhabitants); Seville (687,488 inhabitants); Saragossa (686,986 inhabitants) (2025)

Currency

The official currency of Spain is the euro (€).

Languages

Spanish (Castilian Spanish) is used across the entire territory. Other official languages include Catalan (Catalonia), Galician (Galicia) and Basque (Basque Country).

Ethnicity/Race

Predominantly Mediterranean and Nordic.

Religions

According to the Centre for Sociological Research (Centro de Investigaciones Sociológicas, CIS), in 2024 58.4% of the Spanish population were Roman Catholic, 36.1% were non-believers and 3.5% were followers of other faiths.

Time Zone

Spain mainly uses Central European Time (UTC +1).

Economic Summary

Gross domestic product (GDP)	€1,591.6 billion; per capita €32,590 (2024)
Real growth rate	3.2% (2024)
Inflation	+2.8% (2024)
Unemployment	Around 10.61% (9.53% amongst men and 11.83% amongst women, up to the fourth quarter of 2024)
Arable land	23.9 million hectares (2024)
Agriculture	Grain, vegetables, olives, grapes, sugar beet, citrus fruits, beef, pork, poultry, dairy products, fish
Labour force	24,453,300 (2024), engaged in agriculture and fishery – 3.7%; industry – 18.4% (construction – 6.2%); and services – 72.1%
Industries	Textiles and apparel (including footwear), food and beverages, metals and metal manufacture, chemicals, shipbuilding, automobiles, machine tools, tourism, ceramics and refractory products, pharmaceuticals, medical equipment
Natural resources	Coal, lignite, iron ore, uranium, mercury, pyrites, fluorspar, gypsum, zinc, lead, tungsten, copper, kaolin, potash, hydropower, arable land
Imports	€424.7 billion (the main imports are energy products, capital goods, chemical products, food, automotive sector, consumer goods) (2024)
Exports	€384.5 billion (primarily to France (14.8%), Germany (10.9%), Portugal (9%) and Italy (8.5%); cars account for a large share of Spanish exports) (January 2025)
Main trading partners	Eurozone (i.e. France, Germany, Portugal, Italy, the Netherlands), Latin America (i.e. USA, Mexico, Brazil) and others (i.e. United Kingdom, Morocco, Turkey, Algeria, Russia)

Communications

- Mobile phone users: 61.5 million (2024)
- Internet users: 95.8% of the population between the ages of 16 and 74 years (2024)

Literacy Rate

98.59% (UNESCO, 2020).

Transportation

- Railways: 15,519km (2021)
- Highways: 17,228km (31 December 2024)
- Airports: 51 (2025)
- Ports and harbours: 46 international harbours (2025)

Services and Exchange Controls

Although deregulation is the dominant feature in exchange control and foreign investment matters, there are certain reporting requirements.

As a general rule, foreign investments are only subject to reporting requirements once the investment has been made. Exchange control and capital movements are fully deregulated in Spain, such that there is complete freedom of action in this regard in all areas of the country.

Exchange control and foreign investments are therefore liberalised in Spain, with the exception of specific sectors, such as activities related to national defence.

Spain Today

Spain is a developed economy with the services sector being the main contributor to GDP, followed by industry. These two sectors together account for 90.5% of Spain's GDP. The contribution of agriculture has fallen significantly due to economic growth, representing just 3.7% of the total GDP (1 January 2024).

Spain's GDP in 2024 grew by 3.2% compared to 2023, following growth of 2.7% from 2022 to 2023. In 2024 the GDP figure was €1,591.6 billion, making Spain the 15th largest economy in the world. The absolute value of GDP in Spain grew €93 billion compared to 2023.

The global financial crisis of 2008 and 2009, as well as the economic impact caused by the COVID-19 global health crisis, affected all regions of the world, including Spain. However, the impact of these crises has been mitigated thanks to the economic, tax and labour measures adopted by the Spanish government and the EU over recent years. As a result, the green shoots of recovery have emerged, and Spain has enjoyed significant economic growth, standing amongst the world's fastest growing major advanced economies in 2024. Spain's GDP growth consistently outperforms the eurozone average and was also higher than that of the US in 2024.

Nevertheless, the inflation rate in Spain has been rising since the COVID-19 crisis, standing at 3% in November 2025 according to the consumer price index (índice de precios al consumo, IPC). The rise in fuel prices and, to a lesser extent, in package holidays explain this increase. However, on the positive side, core inflation is falling, which seems to indicate that underlying price trends are downward, beyond the pick-up in the headline indicator.

The market growth of the Spanish economy over the past three decades has been the result of a sharp increase in demand and the strong expansion of production, all in the current context of globalisation of the economy. More recently, the Spanish property market has enjoyed a resurgence, with home sales 11% higher in 2024 compared to 2023. In addition, during the year 2024, tourist arrivals were close to 94 million, which is an increase of 10.1% compared to 2023.

This stronger growth, and the apparent strengthening of certain sectors of the Spanish economy (construction, tourism), has meant that all major demand components have now returned to their pre-pandemic level.

In 2024, the Spanish domestic market comprised 49.07 million people with a per capita income of €32,590. There is also significant additional demand from the almost 94 million tourists who visited the country in 2024.

At an international level, it is worth noting the relationships with Latin America and North Africa, and the advantages of using Spanish as a gateway to countries in these regions.

Essentially, it is the strong growth in international trade and foreign investment in recent years that has made Spain one of the most internationalised countries in the world.

As is to be expected, Spain's major trading partners are EU countries, with France and Germany being the most significant EU trading partners. Outside the EU, Asia and Africa have replaced Latin America and North America as Spain's main trading partners.

In terms of foreign investment, Spain is one of the largest recipients worldwide. Specifically, according to the United Nations Conference on Trade and Development (UNCTAD), Spain attracted $35.9 billion of foreign direct investment (FDI) in 2023, placing it 11th worldwide and third in the EU in terms of FDI. Moreover, Spain is also a major overseas investor, with $33 billion invested abroad (making it the 10th largest in the world).

Consumer Protection and Special Industries

Intellectual and Industrial Property Rights

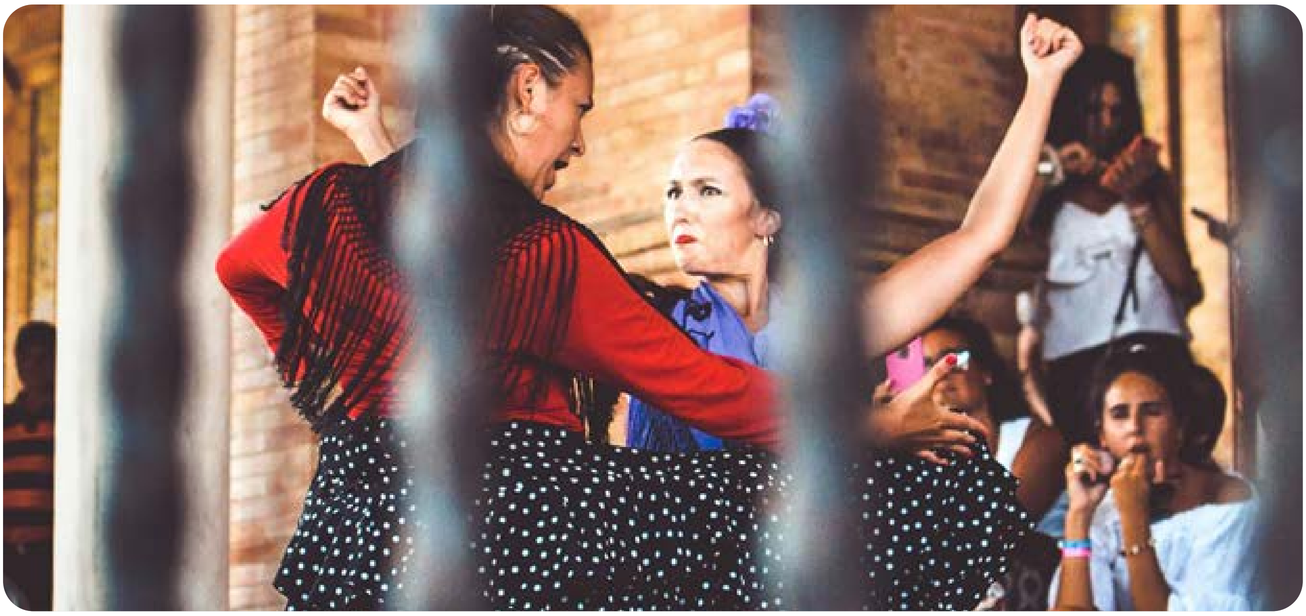
In Spain, there is a distinction between intellectual property and industrial property in that they protect different intangible assets and are regulated by different laws, although they share a common goal to protect original ideas both in industrial and socio-cultural areas.

- **Industrial property** is defined as creations that are related to industry, including patents and utility models, designs and distinctive signs, and domain names. Industrial property rights are granted by supranational organisations such as the European Union and include the Community trademark, the European patent and the Community design. On a national level, the Spanish Patent and Trademark Office ('OEPM') is the responsible entity for industrial property management.

  To protect industrial property, companies must register their patents, utility models, trademarks or designs with the OEPM, after which an exclusivity right will be created, which prevents third parties from using the industrial property without the owner's consent.

- **Intellectual property,** as defined by the Spanish Ministry of Culture, comprises a series of rights which gives creators and other right holders (artists, producers, broadcasters, etc.) personal and/or economic rights to dispose of and exploit their works and other subject matter. The protection arises automatically upon the work's creation.

  Works and ideas of all kinds that do not fall within the industrial field are protected as intellectual property, such as literary products (novels, plays or poems), films, musical works and pieces, drawings, paintings, photographs, architectural designs, sculptures and other artistic works of various kinds (even including rules for games and software applications, for example).



The applicable laws governing industrial and intellectual property are as follows:

- Industrial property:
  - Act 24/2015, of 24 July, for Patents: Patents have a non-extendable term of 20 years from the filing date of the application and take effect from the day on which the notice of grant is published.
  - Act 17/2001, of 7 December, for Brands: Protection is conferred for 10 years and this may be renewed for infinite periods of 10 years.
  - Act 20/2003, of 7 July, for Industrial Design Legal Protection: Registration of the design is granted for five years from the date of filing of the registration application and may be renewed for one or more successive five-year periods up to a maximum of 25 years from that date.
  - Act 11/1988, of 3 May 1988, on the Legal Protection of Topographies of Semiconductor Products: A special law protecting the design of semiconductor products' topographies, recognising their importance to key economic sectors such as the automotive industry, communications and the manufacture of military equipment.
- Intellectual property:
  - Royal Legislative Decree 1/1996, of 12 April, approved the text of the Intellectual Property Act. The general term of exploitation of the work is the life of the author and 70 years after his or her death.

Consumer and User Protection

The main laws and regulations relating to consumer and user protection are the following:

- Royal Legislative Decree 1/2007, of 16 November, approving the revised text of the General Act for the Defence of Consumers and Users and other complementary laws;
- Act 7/1998, of 13 April, for General Terms and Conditions of Contracts;
- Act 15/2007, of 3 July, for the Protection of Competition;
- Act 3/1991, of 10 January, for Unfair Competition;
- Royal Legislative Decree 1/2007, of 16 November, approving the consolidated text of the Consumer and User Protection Act;
- Act 34/1988, of 11 November, for General Advertisement;
- Act 44/2006, of 29 December, on Improving the Protection of Consumers and Users;
- Act 7/1996, of 15 January, on the Regulation of Retail Trade; and
- Royal Decree 1801/2003, of 26 December, on General Product Safety.

There are also other laws relating to the legal protection of consumers and users, but they focus on and regulate more specific matters, such as consumer credit contracts, forward sales of movable goods or information society services and electronic commerce, as well as transposing some European laws and standards. The most relevant ones are as follows:

- Act 4/2012, of 6 July, on timeshare contracts, long-term holiday product acquisition, resale and exchange contracts and taxation rules;
- Act 16/2011 of 24 June, on consumer credit contracts;

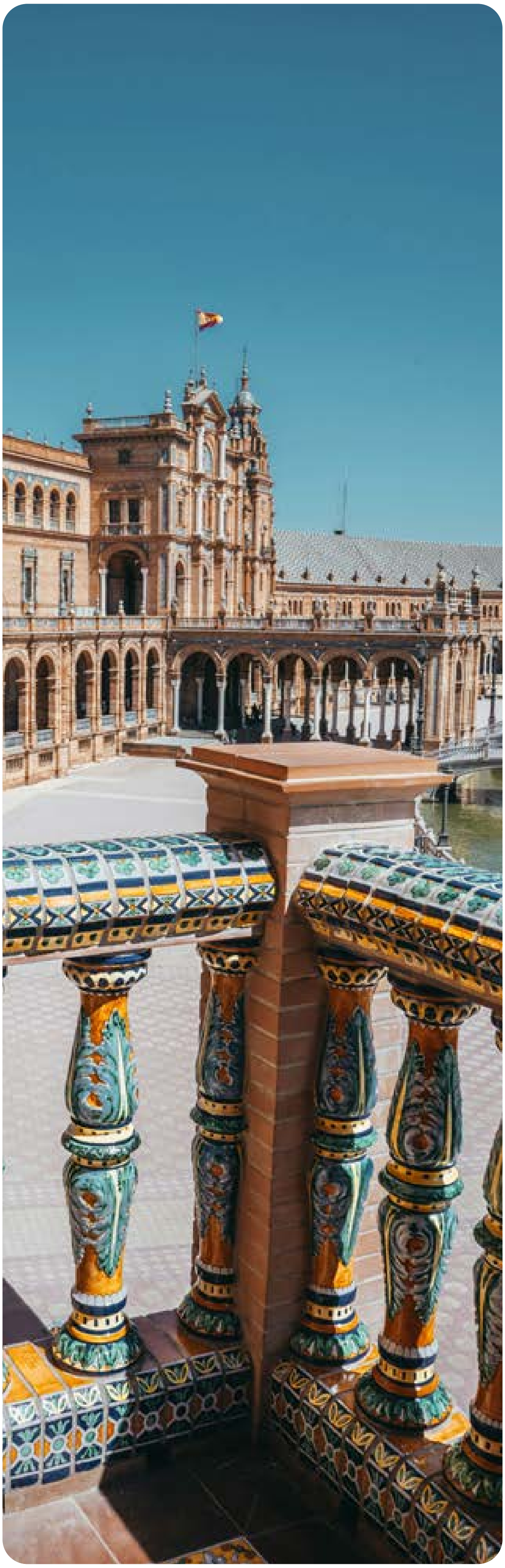
- Act 22/2007 of 11 July, on distance marketing of consumer financial services;
- Act 47/2002, of 19 December, amending Law 7/1996, of 15 January 1996, on the regulation of retail trade, for the transposition into Spanish law of Directive 97/7/EC on distance contracts, and for the adaptation of the law to various Community directives;
- Act 7/2017 of 2 November, transposing into Spanish law Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution in consumer matters;
- Act 34/2002, of 11 July, on information society services and electronic commerce; and
- Act 28/1998 of 13 July, on the hire purchase of movable property.

Likewise, the autonomous communities have also adopted their own legal regulations in the field of consumer law, affecting the legal sphere of citizens residing in their respective territories.

The main issues when contracting with consumers or users are summarised below:

- Promotion and advertising of products and services (pre-contractual information): The trader must provide the consumer (or user) with a clear set of information requirements, for all consumer contracts so the consumer can make an informed choice. Ambiguities are interpreted in favour of the consumer and unfair terms are not binding.
- Content of contracts: The clauses must be clearly drafted. Unfair terms are prohibited, being those that limit the rights of the consumer or user, or provide false or misleading information, either actively or by omission.
- Fulfilment of contracts: The product or service must also comply with the conditions established in the contract, the invoice or even in the advertising, as well as with the minimum expected quality, taking into account the nature and destination of the product or service. If this is not the case, consumers and users have the right to request a refund of the amount paid.
- Right of withdrawal: The consumer or user may rescind the contract within 14 days, without justification and without the need to comply with any specific formality, which may be exercised by simply returning the products. Where there is a right of withdrawal, the trader must include a clause confirming the existence and conditions of this right.
- Right to possible compensation for damages caused by the goods, unless the supplier proves that they do not result from a breach of contract or a malfunction: The scope of protection includes possible theft or damage both inside the establishment or business premises and in parking areas.
- Right to complain: The professional is obliged to facilitate and inform the consumer or user of the possibility and process to submit a complaint.
- Protection of personal data: When providing personal data, the purpose of collection should be checked and the procedure for access, rectification, erasure, portability, restriction of processing and objection should be simple.

Legal Framework for Business



True and effective accounting laws came into force in Spain with the passing of Act 19 of 25 July 1989 on the Partial Reform and Adaptation of Commercial Legislation to EEC Company Law Directives.

Many laws and provisions then followed to make up a body of company and accounting regulations which are completely independent and separate from other regulations (such as tax regulations and legislation governing the supervision and control of public institutions).

The main laws and regulations that make up Spain's current company, accounting and auditing legislation are as follows:

- Act 22/2015, of 20 July, on Audit of Accounts;
- Act 11/2018, of 28 December, amending the Commercial Code, the consolidated text of the Law on Capital Companies approved by Royal Legislative Decree 1/2010, of 2 July, and Act 22/2015, of 20 July, on Auditing of Accounts, on non-financial information and diversity;
- Consolidated text of the Audit of Accounts Act, approved by Royal Legislative Decree 1/2011 of 1 July;
- Act 12/2010, of 30 June, amending Law 19/1998, of 12 July, on Audit of Accounts;
- Act 19/1998, of 12 July, on Audit of Accounts; and
- Audit of Accounts Regulations.

Accounting Regulations in Spain

The legal regulations governing the obligation to keep accounts books in Spain and the compulsory principles and evaluation rules are set out in the Spanish General Accounting Plan and other company legislation in force.

As the General Accounting Charter states, '…accounts books should be kept in accordance with the rules and principles stipulated in Royal Decree 1514/2007 of 16 November which states that the generally accepted accounting principles and rules shall be those set out in:

- Commercial Code, articles 25-49
- Capital Company Act
- General Accounting Charter (Royal Decree 1514/2007, of 16 November)
- The regulations which develop legislation as provided for by the Accounting and Auditing Institute
- International Accounting Standards ('NIC')
- Resolutions of the Spanish Institute of Accounting and Auditing ('ICAC')
- Any other specifically applicable legislation.'

Accounting rules have also been adopted for certain types of companies, taking into account their trading volume, balance sheet or number of employees. These are known as small and medium-sized enterprises (pequeñas y medianas empresas, PYMEs). The law regulating the accounting obligations of PYMEs is Royal Decree 1515/2007 of 16 November.

In order to qualify as a PYME in Spain, a business must:

- employ fewer than 250 people; and
- have revenue of less than €50 million or a balance sheet value of less than €43 million.

These specific rules allow assets and liabilities to be valued and recorded in a less complex way and also allow a business to present a shorter annual report.

Accounts Controls in Spain: Statutory Audits

The auditing profession in Spain is regulated by Act 22/2015 of 20 July 2015.

Additional provision 1 to the Act stipulates that annual accounts must be audited in the following cases:

- companies which are listed on an organised secondary market;
- companies which issue debentures for sale to the public;
- companies which usually act as financial intermediaries;
- companies whose objects include activities regulated by the Insurance Act;

- companies which, during a financial year, have received grants or aids from the budgets of the general government or from European Union funds for a cumulative total amount in excess of €600,000 (the obligation relates both to the tax year in which the subsidies or grants are received and to the financial years in which the investments are made);
- companies which, during a financial year, have concluded contracts with the public sector for a cumulative total amount in excess of €600,000 and which represents more than 50% of the company's net annual turnover;
- companies which, in two consecutive financial years, fulfil two of the following three conditions: (i) turnover greater than €5.7 million; (ii) total assets greater than €2.85 million; and (iii) average number of employees greater than 50 people;
- entities whose statutes include an obligation for an audit;
- when agreed by the partners at the general meeting; and
- where shareholders holding 5% or more of the share capital apply to the commercial registrar of the registered office.

The statutory audit requirements apply not only to commercial companies (obliged to present individual or consolidated accounts), but also to other types of entities such as foundations or associations.

Content of Financial Data to be Published: Annual Accounts

The economic and financial data which companies must make public every year are called annual accounts and represent one of the main accounting obligations in Spain.

The annual accounts consist of the balance sheet (balance), income statement (cuenta de pérdidas y ganancias), statement of changes in net assets (estado de cambios en el patrimonio neto), cash flow statement (estado de flujos de efectivo) and the schedule (memoria). SMEs and micro-enterprises may use simplified 'summary annual accounts', provided that certain limits for assets, turnover and number of employees are not exceeded.

All these documents must be filed with the Company Register (Registro Mercantil, RM) every year.

Legal Audit Limits

An audit is mandatory if two of the three conditions below are met during two consecutive years or in the year of incorporation:

- assets exceed €2.85 million;
- net turnover exceeds €5.7 million; or
- average number of employees is greater than 50.

Accounts must be filed with the regulatory authorities on an annual basis; this is compulsory. The directors of a company have a three-month period after the fiscal year end to prepare the accounts.

Forms of Business Organisations

Setting up a Company or Opening a Branch or Permanent Establishment in Spain

Spanish legislation offers investors a variety of business formats in which to invest. Traditionally, the most frequently adopted entity types are the public limited company (sociedad anónima, SA) and the limited liability company (sociedad de responsabilidad limitada, SL).

Joint Ventures with Other Companies Established in Spain

Although there is no specific legal definition in Spain, a joint venture is a temporary strategic partnership involving two or more legally and economically independent companies that cooperate for a common purpose during a certain period of time, by virtue of contractual agreements to achieve a specific business objective.

Joint ventures are one of the most attractive and ideal ways of doing business in Spain, given that they provide for the sharing of risk and the combining of resources and experience. Spanish regulations distinguish between different types of joint ventures:

- Economic interest grouping ('AIE'): A special type of trading company formed on the basis of the sum of several companies or entrepreneurs. They have their own legislation, embodied in Act 12/1991, of 29 April 1991, on Economic Interest Groupings.
- Temporary business association ('UTE'): Temporary collaboration contract signed by two or more companies for the performance or execution of a work, service or supply. UTEs are regulated by Law 18/1982, of 26 May 1982. The formation of a UTE entails a series of tax consequences for the entities that form it, such as the joint and several liability to withhold taxes and to manage and report indirect taxes in connection with the business activity. The incorporation, enlargement, reduction, dissolution or liquidation of UTEs are exempt from Spanish capital transfer tax and stamp duty ('ITP' and 'AJD').
- 'Participation account': A form of collaboration with one or more Spanish entrepreneurs provided for in Spanish law.
- Joint ventures through SAs or SLs.

Other Ways of Investing

Other ways of investing include:

- entering into a distribution agreement;
- operating through a representative;
- operating through a commission agent;
- taking up a franchise.
- purchasing shares in an existing company; or
- purchasing real estate property in Spain.

Setting up a Spanish Company

The formalities and expenses involved in setting up a company are practically the same for public limited companies (SAs) as for limited liability companies (SLs).

It usually takes between six and seven weeks to incorporate an SA, and around 15 days to incorporate an SL. The following formalities are necessary for setting up an SA or an SL:

- The formal act of constitution is executed before a public notary, who drafts the corresponding public deed (the memorandum and articles of association).
- The minimum share capital required is €60,000 for SAs. The minimum capital for SLs is €1, but until it reaches €3,000, the company is obliged to allocate at least 20% of its profit to the legal reserve. Deeds of incorporation may not be registered in the Company Register if this minimum capital is not reached.
- For SLs, it is compulsory to pay up the entire share capital at the time of granting the deed of incorporation. For SAs, at least 25% of the share capital can be paid up on the date of the deed of incorporation, provided that the articles of association commit the shareholders to pay the remaining amount and specify a period of time after which they will be in default (losing their rights to vote and to receive dividends).

- A name clearance certificate for the new company must be obtained from the Central Company Register. This should be the first step of all to ensure that the proposed name can be used.
- Credentials should be provided, confirming the identities of the founding partners.
- Supporting documents evidencing that the share capital has been paid in and (where applicable) the means of payment should be retained.
- A bank account in the name of the company should be opened, and the minimum share capital deposited.
- A declaration of the foreign investment should be filed at the Foreign Investments Registry at the Directorate General for Trade and Investments ('DGCI').
- A fiscal identification number ('NIF') for the new company should be obtained prior to any delivery of goods, provision of services, collection of fees or hiring of staff.
- A non-resident fiscal identification number ('NIE') should be obtained for any administrators who are not resident in Spain.
- Capital transfer tax should be declared (exempt).
- The company details should be recorded in the Company Register.
- The company should be registered on the business tax roll and on the VAT roll.
- An opening licence should be obtained.
- The company and its employees should be registered with the social security organisation and insurance cover obtained for occupational accidents.
- Certain formalities should also be completed with the Provincial Delegation of the Ministry of Employment and Social Affairs.

The following expenses are typically incurred when establishing a company in Spain:

- capital transfer tax: 0% (incorporation of companies has been exempted from this tax since 2010);
- public notary fees for drafting the deed of incorporation (usually between €150 and €300, depending on the complexity of the company's share capital and articles of association);
- fees for recording the company in the Province Company Register (usually between €60 and €100);
- opening licence; and
- other expenses (e.g. professional fees).

Opening a Branch

On the whole, in terms of requirements, formalities and expenses, opening a branch is very similar to setting up a company. The main difference is that, as branches are not autonomous entities of their parent company, it is not necessary to establish and pay up the minimum share capital required for commercial companies.

Nonetheless, it is still necessary to register the branch in the Company Register. This procedure consists of publicly formalising the resolution to open a branch previously adopted by the parent company's competent board of directors.

A positive aspect of incorporating a branch, rather than a limited company, is that it is not subject to some of the legal responsibilities and obligations associated with establishing a company. For example, if large and regular inflows of cash are required for the development of its economic activity, this process will be simpler as it shares structure with the parent company; branches lack legal independence.

Capital companies, including subsidiaries, need a shareholders' council to take corporate decisions, whereas for a branch, only the representative appointed by the parent company is needed to carry out management functions. This can be useful to centralise and speed up the decision-making process.

Purchasing Shares in an Existing Company

This can be done for a variety of reasons, from making changes to the structure of the company to meeting liquidity needs.

The share purchase agreement should always be formalised before a public notary, in addition to registering it in the register of members (for an SL) or the registered share registry (for an SA). A certificate from the general meeting of shareholders is also required, which must be presented to the notary.

Some additional provisions apply in respect of SLs. By virtue of article 107 of the Capital Company Act, the transfer of shares in a limited liability company for valuable consideration is unrestricted when it takes place between the company's shareholders, their spouses, ascendants or descendants, as well as in favour of entities belonging to the same business group, unless the articles of association stipulate otherwise.

Likewise, the legal framework for SLs provides for a preferential acquisition right for existing shareholders when another shareholder intends to sell their shares to an outside party. The selling shareholder is typically required to notify the other shareholders of any firm offer they receive. The existing shareholders then have a right to acquire the shares on the same terms and conditions offered by the third-party buyer.

Purchasing Real Estate Property in Spain

Purchases of real estate property must be formalised before a Spanish public notary or Spanish consul abroad. The following documents must be presented: proof of identity of the parties and, where applicable, the corresponding powers of attorney; the selling party's title deed; the form (for signature) for the declaration of the investment to be filed at the Foreign Investments Registry at the General Directorate for Trade and Investments ('DGCI'); and payment of the purchase price.

Capital transfer tax is applicable at the state standard rate of 6% (provided that the autonomous community does not impose its own tax rate, as it is a devolved tax) if the selling party is an individual who is not a property developer.

The following taxes will be payable if the selling party is a company or an individual working as a property developer:

- Transfers of development land and the sale of new buildings: 10% VAT, plus stamp duty at the standard rate of 1%.
- Transfers of rural, non-development land and second or subsequent sales of buildings: Capital transfer tax or VAT. VAT is applicable if the acquiring party is an entrepreneur or a professional who has the right to deduct the full amount of input VAT and the selling party waives its exemption to charge this tax (provided certain requirements are fulfilled).

The following taxes apply if the property is located in the Canary Islands (where VAT is not applicable) and the selling party is a property developer (whether an individual or body corporate):

- Transfers of development land and the sale of new buildings: 7% Canary Islands general indirect tax ('IGIC'), plus stamp duty at the standard rate of 0.75% (or 0.5% for buildings to be used as the owner's permanent home).

The following expenses are typically incurred when purchasing real estate property in Spain:

- public notary fees;
- capital transfer tax or VAT and stamp duty (see above);
- fees for recording the transaction in the Land Register;
- capital gains tax (municipal tax on the increase in the value of urban land); and
- property tax ('IBI' – a yearly tax calculated on the cadastral value of the property).

Taxation

The Spanish Tax System

According to various European and national studies, several structural elements of the Spanish tax system limit its fiscal competitiveness and ability to attract foreign investment. Key factors include the high tax burden on businesses and a significant informal economy. The tax effort in Spain has increased in recent years, reaching 117% of the EU average in 2023, according to the Institute of Economic Studies (IEE).

Despite the above, the Spanish Tax Authority ('AEAT') has undergone regulatory changes that have led to its modernisation and increased efficiency in tax collection, due to two recent international events: the COVID-19 pandemic (March 2020) and the Russian–Ukrainian war (February 2022). The main consequences have been the acceleration of the tax administration's digitalisation process and an increase in the number of communication channels between taxpayers and the administration.

The Spanish tax system comprises three types of levies: true taxes (impuestos), dues and fees (tasas) and special levies (contribuciones especiales). Public fees and special contributions are quantitatively much lower than taxes and are required in return for the provision of goods or services in which the administration is involved and from which specific individuals obtain a benefit.

Moreover, although at the territorial level in Spain there are three levels of taxation (national, regional and local), this section focuses on the taxes levied by the state, including those managed and collected by regional and local authorities. In addition, given their importance, it also refers to the special arrangements existing in the Canary Islands, the historic territories of the Basque Country and Navarre, and the autonomous cities of Ceuta and Melilla.

PKF Global publishes a Worldwide Tax Guide every year, which provides summarised, updated information on Spanish tax regulations.

National Taxes

Spanish national taxes are divided into direct and indirect taxes.

Corporate Tax ('IS')

Income tax is levied on income obtained worldwide by companies that are tax resident in Spain, and on income obtained in Spain by non-resident corporate permanent establishments.

When analysing whether a permanent establishment exists or not, it is necessary to analyse the tax treaties signed between the Kingdom of Spain and other countries. However, in the absence of a double taxation agreement, domestic legislation is followed.

Regulatory standards for corporate tax are Law 27/2014 of 27 November 2014, which approves the Corporate Tax Act, and Royal Decree 1777/2004 of 30 July 2004, which approves the Income Tax Regulation. In addition, the regulatory development is contained in RD 634/2015 (RIS).

The tax period coincides with an entity's fiscal year, which may not exceed 12 months, and settlement takes place on the last day of the tax period. The return must be submitted within 25 calendar days after the six-month period following the end of the tax period.

All companies resident in Spain are obliged to pay corporate tax ('IS'), which is levied on a company's total earnings for the year.

The taxation of non-resident companies is governed by Royal Legislative Decree 5 of 5 March 2004, amended by Law 26/2014 of 27 November 2014, and by the agreements to avoid double taxation signed between the Kingdom of Spain and other countries.

An organisation is considered tax resident in Spain when it fulfils any of the following criteria:

- It was incorporated according to Spanish law.
- It has its registered address in the Spanish territory.
- Its effective head office is in the Spanish territory. An organisation is considered to have its effective head office in the Spanish territory when the management and control of the sum of its activities are exercised from the Spanish territory.

If an organisation is considered to be resident both in Spain and in another country with which Spain has concluded a double tax agreement, the agreement will normally provide for it to be tax resident only in the state where its effective headquarters are located.

Appraisal Rules

As a rule, assets are appraised at acquisition price or production cost. Assets appraised at market value include assets transferred or acquired at a profit; assets distributed to partners as a result of a company wind-up; share capital reductions involving the return of invested capital; assets transferred as a result of a merger, takeover or total or partial spin-off; and assets acquired through swaps.

It should be borne in mind that the legislation in force establishes a special system of tax neutrality for transactions that form part of a process of company restructuring (M&A transactions). Special appraisal rules are also established for transactions carried out between related companies.

Deductibility of Finance Expenses

Spanish corporate law establishes a general limitation on the deductibility of finance expenses. In this regard, finance expenses can be deducted up to a limit of 30% of the operating profit of the company, with €1 million free of limitations. In addition, exemptions are available for financial and other entities.

The taxable base is calculated from the declared accounting results (profit and loss account) and is subject to the adjustments required by IS law. In general, accounting expenses are considered tax deductible if they are duly registered for accounting purposes and documented in a corresponding invoice.

Specific tax deduction rules apply to the following accounting expenses:

- amortisation and depreciation of assets and rights;
- bad debts;
- financial leasing agreements;
- provisions for loss of value of editorial, phonographic or audiovisual inventories; and
- depreciation of financial goodwill of investments in non-resident companies.

Valuation Changes

- Depreciation is only tax deductible if it is actually charged and entered into the accounts.
- Provision for bad debts: At least six months must have elapsed since the due date, or the debtor must have been declared bankrupt.
- Provisions for bad debts from associated companies are not deductible unless the debtor has been declared insolvent.
- Provision for impairment in portfolio value: The provision may not exceed the difference between the theoretical book value at the beginning and close of the financial year.
- Provision for risks and contingencies: These provisions are not generally deductible unless they are allocated to cover liabilities deriving from monetary obligations or warranties for repairs and revisions.

Non-deductible Expenses

The following expenses are not tax deductible:

- expenses that entail payment from the company's own capital, including participative loans with related entities;
- expenses incurred in recording IS in the accounts;
- expenses incurred for services carried out with individuals or bodies corporate residing in tax havens;
- transfers to internal provisions and pension funds;
- expenses incurred for services carried out with related entities where the income for the other entity is tax exempt or subject to a tax rate lower than 10%;
- fines and penalties; and
- donations and gifts.

Increases and Decreases in Net Worth

These are deemed to be income. In property transfers, the depreciation of money should also be borne in mind, and the acquisition cost and corresponding amortisation should be adjusted.

Offsetting of Negative Tax Bases

There is no temporal limit and tax losses can be offset up to a limit of 70% of taxable income (€1 million free of limitation).

For companies with a net turnover of at least €20 million but less than €60 million, the compensation of negative tax bases is limited to 50% of the positive tax base.

If the turnover is at least €60 million, the compensation of negative tax bases is limited to 25% of the positive tax base.

Tax Rate

The current IS rate is fixed at 25%. A 15% reduced tax rate is granted to newly created companies for the first tax period they have a positive taxable base and for the subsequent period.

Deductions from the Tax Liability

Among others, the main deductions are:

- Deduction to avoid double taxation in Spain: Dividends and surpluses acquired from internal sources. Subject to certain requirements, this deduction entirely eliminates double taxation.
- Deduction to avoid international double taxation: Subject to certain requirements, taxes paid abroad can be deducted; however, these may not exceed the total tax liability that would have been payable in Spain on the corresponding income.
- Research and development (R&D) deduction: Subject to certain requirements, amounts invested in R&D projects entitle the company to a tax credit.
- Other specific deductions aimed at boosting specific activities.

Withholding Tax and Advance Payments

Entities resident in Spain must make three interim corporate tax payments during the financial year, in April, October and December. Companies in liquidation are also required to make payments on account, since companies undergoing dissolution retain their legal personality during the liquidation process and therefore retain their status as IS taxpayers.

Tax Consolidation of Company Groups

Certain company groups may be taxed on their consolidated tax base. This is an optional system, and the parent company must own at least 75% of the capital of its subsidiaries for it to apply.

Other Special Systems

Being eligible for special tax regimes depends on the particular characteristics of the taxpayer and the activities carried out. Among others, the following special regimes are in place:

- Spanish and European economic interest groupings;
- temporary joint ventures ('UTEs');
- venture capital firms and funds;
- investment funds;
- foreign securities holding companies ('ETVEs'); and
- system of tax neutrality for company restructuring transactions: mergers, spin-offs, transfers of assets and share swaps.

Tax Incentives for Small-sized Companies

These measures affect companies with an annual net turnover of less than €10 million. If the company forms part of a group, this amount refers to the combined turnover of the whole group. Tax incentives are applicable in respect of depreciation, provisions, deductions and even the tax rate.

In addition, reduced tax rates are applicable under specific circumstances, such as a tax rate of between 17 and 20% for companies with a net turnover of less than €1 million, or a 15% rate for recently incorporated companies.

Transfer Pricing

Spanish tax legislation, following the OECD approach, establishes that transactions carried out between related entities should be valued at arm's length, i.e. the value that third parties would have agreed upon under normal market circumstances. Strict documentation requirements must be observed in connection with transactions between related entities.

Formal Obligations

The tax period coincides with a company's financial year. Tax returns must be submitted within 25 calendar days from the end of the six-month period following the relevant tax period.

Personal Income Tax ('IRPF')

Current regulations are set out in Act 35/2006 of 28 November 2006, amended by Law 26/2014 of 27 November 2014.

Natural persons who do not have their habitual residence in Spain are not subject to personal income tax ('IRPF'). Instead, they are subject to a similar tax, the IRNR, on capital gains and income imputations produced on Spanish territory.

Individuals are considered to have their usual place of residence in Spain when any one of the following conditions is met:

- They remain on Spanish territory for more than 183 days during the calendar year.
- The main centre of their general or economic activities is directly or indirectly in Spain.

In addition, unless there is evidence to the contrary, it is presumed that a taxpayer is habitually resident in Spain when their non-legally separated spouse and dependent minor children habitually reside in Spain.

If an individual is considered resident both in Spain and in another country with which Spain has concluded a double tax agreement, the agreement will normally provide for them to be resident in one of the two countries, based on the following criteria (in descending order of priority):

- availability of permanent home;
- closest personal and economic relations;
- the state where they usually live; and
- the state of which they are a national.

If these criteria fail to determine the country of residence, the two tax authorities will try to resolve the issue by mutual agreement.

The tax period is the calendar year and tax accrual takes place on 31 December each year.

Spanish income tax applies to an individual's worldwide income.

Tax System

Individual or joint (family unit) tax returns may be filed. A single tax scale applies and tax paid is shared between the Spanish government and the corresponding autonomous community.

Tax Base

The tax base comprises:

- income from salary (in money and kind);
- income from real estate;

- income from investments;
- income from economic activities;
- income from image rights;
- capital gains and losses; and
- real estate imputed income.

General Structure of IRPF

The law distinguishes between a general component and a savings component of taxable income. The general component is taxed according to a progressive rate scale, while the savings component is taxed at fixed rates.

The general component of taxable income is derived by adding up the following:

- employment income;
- income from real estate;
- income from movable property derived from the transfer of own funds to related entities (unless the amount of own funds assigned to the related entity does not exceed three times the taxpayer's equity interest in that entity);
- income from business activities;
- other income from movable capital which is not considered savings income, such as income from the assignment of the right to use images and from intellectual property; and
- imputation of income (from real estate, entities under the international fiscal transparency system, assignment of rights of publicity, transactions carried out with entities or individuals tax resident in a tax haven).

The savings component of taxable income is derived by adding up the following:

- income derived from an entity due to a person's status as a partner, shareholder, associate or stakeholder;
- income from movable capital derived from the transfer of own funds to third parties;
- the monetary return or payment in kind on capitalisation transactions and life or disability insurance contracts; and
- capital gains and losses.

Exemptions

Earnings from work carried out abroad of up to €60,100 per year are exempt from IRPF. Other exemptions are available for certain activities or types of income.

Capital Gains and Losses

Tax is charged on the difference between the transfer value and the acquisition value of an asset. Updating coefficients are applicable exclusively to acquisitions of real estate.

Reducing coefficients are applicable to capital gains derived from assets acquired before 31 December 1994.

Net Tax Base

This is the gross tax base after certain deductions have been made. A general net tax base is calculated, together with a tax base exclusively applicable to savings.

Total Tax Liability

The official tax scale by means of which the corresponding tax liability can be determined (national and autonomous community) may be found in the PKF Global Worldwide Tax Guide.

Deductions

Deductions may be available in relation to investment in a permanent home, income earned in Ceuta and Melilla, economic activities, donations and action taken to protect and promote Spanish and World Heritage.

Non-resident Income Tax ('IRNR')

The taxation of non-resident bodies corporate and individuals is governed by Legislative Royal Decree 5 of 5 March 2004, amended by Law 26/2014 of 27 November 2014. A distinction is made between:

- income from activities carried out by a permanent establishment in Spain; and
- income from activities not carried out by a permanent establishment in Spain.

Income Obtained by a Permanent Establishment

In aggregate, the general tax rate is applicable to the net tax base (24%). Non-resident companies have the same rights to deductions and rebates as companies which are tax resident in Spain.

Income Obtained Without a Permanent Establishment

Taxpayers who operate without a permanent establishment, whether natural or legal persons, are taxed in accordance with IRPF regulations, and are so taxed for each transaction, as set out in article 24 and following the consolidated text of the IRNR Act.

Bodies corporate and individuals who acquire real estate located in Spain from a non-resident without a permanent establishment in Spain are obliged to make the corresponding withholding as a payment on account.

Income obtained from activities carried out without a permanent establishment in Spain is usually taxed at a lower tax rate than the general rate applicable to resident bodies corporate and individuals.

Spain has signed agreements with several countries whereby the taxation in Spain of income obtained by companies operating without a permanent establishment in Spain is reduced or eliminated altogether (see PKF Global Worldwide Tax Guide).

A special tax rate is applicable to real estate belonging to non-resident bodies corporate.

Tax Rate

The general non-resident income tax rate is 24%. However, a reduced rate of 19% applies if the taxpayer is a resident in another Member State of the European Union or of the European Economic Area with which there is an effective exchange of tax information.

Specific tax rates apply as follows:

- Dividends and other income derived from shares in a company's equity: 19%.
- Interest and other earnings obtained from transferring own capital to third parties: 19%.
- Capital gains derived from the transfer or redemption of shares or participations representing the capital or assets of collective investment undertakings: 19%.
- Other capital gains derived from the transfer of assets: 19%.
- Royalties between associate companies paid to a company resident in an EU Member State or to a permanent establishment of the company in another EU Member State: tax exempt.

Tax Representative

Certain non-resident taxpayers are required by law to appoint an individual or body corporate with residence in Spain to represent them before the Spanish tax authorities with respect to their obligations to pay IRNR.

This obligation applies to non-resident taxpayers that:

- operate in Spain through a permanent establishment;
- do not have a permanent establishment in Spain but obtain revenue from services, technical assistance, installation or assembly work deriving from engineering contracts, and economic activities in general;
- are required to do so by the Spanish tax authorities, owing to the amount and characteristics of the income obtained;

- are foreign companies affected by the income attribution regime; or
- are individuals or bodies corporate that own assets or rights located on Spanish territory (except in the case of securities traded on official secondary markets) but have their place of residence in countries or regions which do not effectively exchange tax information with Spain.

The representative's appointment should be duly accredited and communicated to the branch of the tax office at which the tax return will be filed, within two months after the appointment is made. The appointment should be made before the end of the relevant period for filing tax returns.

The following parties shall be jointly and severally liable for the payment of tax due by non-resident taxpayers:

- **Payers of non-residents' revenue:** This applies to those who pay non-residents' income, except in cases of capital gains. The liability does not apply when the obligation to withhold tax is applicable, as provided for in the Act on Non-resident Income Tax.
- **Depositaries or managers of non-residents' assets or rights:** A prior administrative deed of secondary liability is required.
- **Tax administration direct action:** The tax administration is permitted to take direct action when non-residents have their place of residence in a jurisdiction deemed a tax haven.
- **Representatives of permanent establishments:** A prior administrative deed of secondary liability is required.

Wealth Tax ('IP')

The regulations governing wealth tax ('IP') are set out in Act 19 of 6 June 1991.

This tax is administered and collected by the autonomous communities and some of them credit 100% of the tax due (e.g. Madrid).

IP has been affected by the recently approved temporary solidarity tax on large fortunes ('ITSGF'; see below), a tax levied on the same taxable base as IP (i.e. the taxpayer's net wealth), but subject to a €3 million threshold, and that has not, and cannot be, assigned to the autonomous communities.

All individuals who are tax resident in Spain are subject to IP on all their assets on 31 December each year. Non-residents are subject to this tax on any assets and rights located in Spain.

The Act allows for an exemption of certain assets.

Net Tax Base

The taxable amount is defined as the value of the taxable person's equity, which is determined by the difference between:

- the value of non-exempt goods and rights which are the property of the taxable person; and
- any personal debts or obligations that decrease the value of such goods and rights.

Notwithstanding the above, in terms of the charges and levies to be considered for the determination of equity, the following rules must be taken into account:

- No deduction shall be made for exempt goods.
- In the event of an actual obligation to contribute, only those charges and encumbrances which affect goods and rights situated or exercisable on Spanish territory or which are to be fulfilled on Spanish territory shall be deductible, as well as the debts of the capital invested in those assets.

Total Tax Liability

Spanish national legislation establishes the relevant tax scale if the corresponding autonomous community does not specifically regulate it.

Temporary Solidarity Tax on Large Fortunes ('ITSGF')

The ITSGF is analogous to the IP, but it is levied on those taxpayers with a net worth of more than €3 million. It is regulated by Act 38/2022 of 27 December.

It is essentially identical to the IP: the taxable base is determined in the same way, the same types of assets are exempt and the general personal allowance is also the same (€700,000). The most notable difference with respect to the IP is that ITSGF is not assigned to the autonomous communities.

The current applicable tax rates range from 1.7% to 3.5%. The ITSGF allows for the deduction of any IP already paid.

In practice, the purpose of this tax is to prevent revenue loss from regional tax reliefs on the IP, ensuring high-net-worth individuals in all autonomous communities contribute.

In fact, since the ITSGF entered into force, some autonomous communities (e.g. Madrid and Andalusia) have included transitory provisions in their tax legislation, under which, while ITSGF is in force, the IP state tax rates will be applied, and the approved autonomous IP bonus will not. Instead, the taxpayer will be able to apply a rebate equivalent to the difference, if any, between the IP rate and the ITSGF rate.

Inheritance and Gift Tax (‘ISD’)

As far as state legislation is concerned, ISD is regulated by Law 29/1987 of 18 December 1987 (tax law) and by Royal Decree 1629/1991 of 8 November 1991 (tax regulation).

The following transactions are subject to ISD:

- the acquisition of property or rights by inheritance, legacy or any other title of succession;
- the acquisition of goods and rights by donation or any other legal business free of charge and inter vivos; and
- collection of amounts by beneficiaries of life insurance contracts, where the contractor is a person other than the beneficiary.

This tax is administered and collected by the autonomous communities and some of them credit 99% of the tax due (e.g. Madrid).

Value Added Tax (VAT)

VAT is a harmonised tax in the EU, with Member States being obliged to adapt their legislation to EU standards.

The basic Spanish legislation regulating the tax, harmonised with EU legislation, is as follows:

- Law on Value Added Tax (‘LIVA’), L 37/1992; and
- Tax Regulation (‘RIVA’), RD 1624/1992.

In addition, the following also come into play:

- RD 3485/2000, exemptions and reliefs in diplomatic and consular regimes;
- RD 1065/2007 (RGGI) which regulates the procedures for the management and inspection of taxes; and
- RD 1619/2012 (Rgto Fac), which approves the regulation governing invoicing obligations.

VAT is an indirect tax on supplies of goods and services, intra-Community acquisitions and imports of goods by entrepreneurs/professionals within the scope of their business.

Rates

The standard tax rate is 21%. There is a reduced rate of 10% and an extra-low rate of 4% applicable to a restricted list of specific items.

Exemptions

Certain transactions are VAT exempt, in which case the right to deduct input tax is limited. Other operations, such as supplies and exports of goods to another Member State, are defined as exempt, but allow for the right to deduct input VAT.

Location

Operations are taxed when they are understood to be carried out in the territory where the tax is applicable. Generally speaking, supplies of goods are understood to be carried out in Spain when they are made available to the purchasing party within the Spanish territory. In the case of services provided, as a rule it is the country where the provider of the services has its business headquarters or permanent establishment for B2C operations, and the country where the recipient of the services has its business headquarters or permanent establishment for B2B operations. There are certain exceptions to both of these rules.

Taxpayer

The taxpayer is the party obliged to charge VAT and pay it to the tax authorities. In certain exceptional cases, the taxpayer is the recipient of the transaction (reverse charge mechanism).

Deducting Input Tax

Input VAT may be deducted when certain formal requirements are met. It can be deducted within a period of four years.

VAT Returns

VAT returns are filed on a quarterly or monthly basis, depending on the taxpayer's annual turnover in the preceding year. Reimbursement of VAT to entrepreneurs without a permanent establishment in Spain is governed by specific provisions and is subject to the fulfilment of certain requirements.

Tax Representative

Non-residents without a permanent establishment in the EU that carry out operations subject to Spanish VAT are obliged to appoint an individual or body corporate with residence in Spain to represent them with respect to their obligations set out in the Spanish VAT Act. Exceptions to this rule are:

- non-resident taxpayers that only carry out VAT-exempt operations involving tax-free zones, bonded warehouses and duty and tax suspension systems; and
- non-resident taxpayers without a permanent establishment in Spain but with an establishment in the EU, the Canary Islands, Ceuta or Melilla.

However, the aforementioned excluded non-resident taxpayers may also appoint a tax representative if they so wish.

The Spanish tax authorities should be notified of the appointment before any operations are carried out by the party without a permanent establishment in Spain. This notice should be given by means of a tax roll statement, together with a public or private deed of appointment and a photocopy of the appointed representative's fiscal identification card ('NIF').

Capital Transfer Tax and Stamp Duty ('ITP' and 'AJD')

The basic regulation of the tax is contained in the consolidated text of the Tax Act approved by RDL 1/1993, and by its regulation (RITP), approved by RD 828/1995.

There are three categories:

- Gainful capital transfers (Impuesto sobre Transmisiones Patrimoniales, ITP): Payable on transfers of assets, goods and rights.
- Corporate transactions (Operaciones Societarias, OS): Payable on operations involving company financing or equity.
- Stamp duty (Actos Jurídicos Documentados, AJD): A duty affecting the formal nature of a document, rather than the actual deed.

ITP, AJD and OS are structured so that a single legal act may generate several taxable events, but the law establishes rules of incompatibility and preference to avoid double taxation.

Below is the compatibility regime that should be taken into account.

Compatibility	VAT	TPO	Corporate transactions	Stamp duty
TPO (Transmisiones Patrimoniales Onerosas)	No	-	No	No
Corporate transactions	Yes	No	-	No
Stamp duty	Yes	No	No	-
VAT	-	No	Yes	-

The tax is payable by the acquiring party and is not recoverable.

Transaction type	Tax rate
Corporate transactions	1%
Transfers of real estate property	6%
Transfers of movable assets and government concessions	4%
Certain in rem rights	1%
Public deeds	0.5%

These rates may be modified by the autonomous communities.

Special Taxes and Duties ('IIEE')

Special taxes and duties are payable on consumer goods such as alcohol and alcoholic drinks, beer, hydrocarbons and the manufacture, transformation and import of tobacco products.

A special tax is also payable on the production, import and intra-Community purchase of electricity.

Import Duties

Duties are paid on imports when goods are cleared through customs. There is a harmonised international coding system for goods and the EU tariff (TARIC).

Tax on Insurance Premiums

The tax is payable on insurance and capitalisation operations based on actuarial techniques.

Local Taxes

The most common local taxes are as follows:

- **Property tax ('IBI'):** Payable on the ownership of real estate property and on real rights.
- **Business tax ('IAE'):** Payable on business activities.
- **Road tax ('IVTM'):** Payable on ownership of vehicles, calculated based on horsepower.
- **Tax on building, installation and construction work ('ICIO'):** Payable on the actual cost of any building or construction work that requires a municipal permit.
- **Tax on the increase in value of urban land ('IIVT'):** Payable on the increase in the value of urban land calculated when ownership is transferred.
- **Other:** Spanish tax legislation and local authorities have established other taxes on specific activities, such as electricity production and financial activities.

Labour Law

An Outline of Employment Law

The fundamental law governing this area is the Workers' Statute (Royal Legislative Decree 2/2015 of 23 October), which sets out the respective rights of employees and employers, the general terms and conditions of employment, the procedures to be followed when dismissing personnel and the rules for collective bargaining, amongst others.

Furthermore, specific regulations are applicable to different industries, certain employee categories and special labour relations groups. An important aspect of labour law is collective agreements, which may be negotiated at the individual company or nationwide industry level, and employment contracts that set out specific individual terms.

Recruitment

There are basically two types of employment contract:

- Temporary contracts require a legal justification for their limited duration.
- Permanent contracts are encouraged by government through benefits.

Part-time contracts and training contracts (for internships and apprenticeships) may also be used.

Standard Regulations for Employment Contracts

Probation Period

Any of the aforementioned contracts may establish a trial period, during which either party may terminate the contract without being required to justify the decision.

Working Hours

As a rule, working hours must not exceed 40 hours per week. Agreements may be reached as to how the working hours are distributed throughout the year, which may follow an irregular pattern according to the collective agreement. Overtime is permitted, but only up to 80 hours per year. It is obligatory to allow employees at least one and a half days off per week.

Wages and Salaries

These are regulated by the Workers' Statute, the collective agreements and are also agreed individually by contract between the parties.

Recruiting Staff and Establishing Companies in Spain

There is no requirement for a foreign company recruiting staff on the Spanish market to set up a permanent establishment in Spain, with all the expenses this entails. Different options are available depending on the activity to be undertaken and the structure needed. Professional advice should be taken to determine the most appropriate approach.

Dismissals and Contract Termination

1. Objective Dismissal

   This requires a legal justification under circumstances that are not attributed either to the employee or the employer. The causes are legally defined. Compensation equal to 20 days' salary per year worked, up to a maximum of 12 months' salary, has to be paid.

2. Disciplinary Action

   Disciplinary action may be pursued when an employee fails to meet the requirements of their employment contract. Collective agreement regulation in this respect is mandatory.

3. Dismissal Ruling

   Following dismissal, an employee has 20 working days to challenge the termination of their employment. Before a lawsuit can be filed at the Labour Court, the employee and employer must attend mandatory mediation. The court will rule on the dismissal as follows:

   – Fair: In this case, no compensation is due because dismissal has been carried out in accordance with the law.

   – Unfair: Only a judge can determine whether a dismissal is improper and, if it is, the company can compensate the employee with 33 days' salary per year worked up to a maximum of 24 months' salary or reinstate them in the same position and pay them the wages they did not receive during the entire process, which usually lasts for about a year.

   – Null and void: The worker is readmitted to the company and full salary is paid from the dismissal date to the date of readmission.

The grounds for the declaration of inadmissibility are basically twofold: the facts for which the worker has been dismissed are not true or have been exaggerated; or the dismissal has not been correctly communicated to the employee and therefore the worker has been rendered defenceless.

Recruiting Senior Managers

A senior manager is one who has broad powers to administer and manage issues relating to the company's overall objectives, exercises authority with full independence and responsibility and is answerable only to the company's governing body. These employment relations are regulated by Royal Decree 1382 of 1 August 1985.

Temporary Employment Agencies

The Workers' Statute expressly prohibits the temporary assignment of employees to other companies unless it is through temporary employment agencies, which provide their corporate clients with employees to meet their temporary requirements.

Workers' Representatives

Workers' representatives are elected by the employees. If the company has 50 or more employees, workers' representatives will be organised in works councils, with a minimum of five members and a maximum of 75 members in very large companies. Another channel of representation is through trade union branches, for companies with over 250 employees. The works council, shop stewards or trade union branch all serve the same function and have the right to information on personnel hiring and the company's financial situation.

Furthermore, all union sections have the right to:

- hold meetings, having previously notified the employer;
- collect membership fees and distribute union information;
- receive information sent by their unions;
- go on strike; and
- participate in the negotiation of collective bargaining agreements at a certain level.

Visas and Work and Residence Permits

According to Spanish regulations for foreigners, anyone who does not have Spanish nationality is deemed to be a foreigner. As a general rule, employees who are not from the European Economic Area need an initial work authorisation to work in Spain, irrespective of the type and duration of the services rendered. Therefore, while the rights of nationals of EU Member States to work in Spain are not limited in any way, nationals of non-EU countries have to apply to the Spanish authorities for a permit.

A work authorisation is not required for the following activities, as they are not considered to be 'work' for the purposes of immigration law:

- trips for commercial meetings with prospective clients;
- taking part in business fairs; and
- visiting the country to set up a business.

Social Security

The social security system provides comprehensive protection against various contingencies and situations defined by law through both contributory and non-contributory schemes to individuals and their dependants and family members.

For the purposes of contributory benefits, all Spaniards residing in Spain, irrespective of their sex, marital status or occupation, are included in the scope of the social security system, and non-Spanish nationals legally residing or staying in Spain, provided that, in both cases, they are operating in the Spanish territory and that they fall into one of the following categories:

- workers in paid employment;
- self-employed persons;
- worker members of worker cooperatives;
- students; or
- public officials (civilian or military).

The 27th additional provision of Royal Legislative Decree 1/1994 of 20 June establishes the framework of both the general and special regime for the self-employed, partners and employees or directors of corporations.

Prevention of Occupational Hazards

In accordance with Act 54/2003 of 12 December 2003 on the prevention of occupational hazards, employers must protect the health and safety of their employees and, without limitation, are obliged to comply with the law and remedy any situations of risk. Furthermore, they must design preventive action from the start of their business activity and take permanent action to improve existing levels of protection. This involves an obligation to perform risk evaluations, adopt measures to be put into practice in emergencies, organise resources for protection activities and guarantee the health of workers, including pregnant and breastfeeding women.

E-business Legal Framework

The various aspects of e-business are now subject to specific regulations in Spain. Consequently, any e-business transactions also involve legislation on distance sales and advertising, as well as regulations governing the general terms and conditions of contracts, electronic signatures, personal data protection, intellectual and industrial property rights, and the information society and e-business.

A fundamental aspect to be borne in mind with respect to electronic transactions is that the applicable regulations vary depending on who the recipient is. Thus, a transaction carried out between companies (B2B) is not the same as a transaction where the end customer is an individual (B2C), because in the latter case legislation on the protection of personal data and consumer regulations, for example, must also be taken into account.

Civil and Commercial Regulations

Civil Code and Commercial Code

Both codes have recently been modified by the Act on Information Society Services and E-business, which stipulates that consent to a contract entered into by automatic means is understood to exist from the moment that acceptance is given.

Distance Sales

All operators who carry out distance sales, such as those made on data transmission systems, should obtain the corresponding authorisation and register on the Register of Distance Sales Enterprises. The Act stipulates that the following data must be included in all distance sales quotes:

- the supplier's identity;
- the product's special features, price and any transport charges; and
- the form of payment, means of delivery or execution and the quote's period of validity.

It also sets out a series of consumer rights:

- the need for consumers to give their express consent;
- the prohibition of sending consumers goods they have not requested; and
- consumers' right to cancel a purchase within seven days after receiving the product.

Consumer Protection

Any e-business activities designed for consumers must comply with consumer protection regulations. The royal decree that regulates contracts entered into by telephone and electronic means includes the following obligations:

- Consumers have the right to terminate a contract within a period of 14 working days.
- Consumers must be provided with information on all clauses of the agreement, and the general terms and conditions and documentary support of the sales contract must be sent to them.

Likewise, the Act on Guarantees in the Sale of Consumer Goods includes a free-of-charge warranty covering all consumer goods for a period of two years.

The Information Society Services and E-commerce Act ('LSSI')

The LSSI defines an information society service as being any distance service rendered for payment by electronic means at the recipient's individual request.

This also includes services not paid for by recipients, given that such services still constitute economic activities for the providing party. The obligations contemplated in this Act are applicable to all service providers established in other Member States of the European Union and the European Economic Area when the recipients of the services are located in Spain and the services involve:

- intellectual and industrial property rights;
- advertising by investment funds;
- direct insurance business;
- obligations deriving from contracts with consumers; or
- the lawfulness of unsolicited business communications by email (spam).

The Act covers certain important new aspects, including:

- The specific obligations of providers of information society services:
  - to notify the register, within one month, of the domain name they use to identify themselves on the internet; and
  - to provide means whereby the recipients of services and the competent bodies can have easy, direct access, free of charge to information about the provider and the product price.
- A specific system for email business communications, without prejudice to the regulations in force on the marketing, advertising and protection of personal data.

- The regulation of contracts entered into by email, whereby contracts are recognised when the parties give their consent and other requirements in terms of validity are met, while the parties' prior agreement on the use of electronic means is not required.

Protection of Personal Data

Since 25 May 2018, the right of personal data protection has been governed by the EU General Data Protection Regulation (GDPR). A new national law, the Act on Data Protection and Guarantee of Digital Rights, was enacted in 2018 to adapt the Spanish national legal framework to the GDPR.

The GDPR provides a high level of protection for data subjects and requires data controllers and processors to comply with highly demanding obligations, which include respecting the principles of:

- lawfulness, fairness and transparency;
- purpose limitation;
- data minimisation;
- accuracy;
- storage limitation; and
- integrity and confidentiality.

The Spanish Data Protection Agency must be notified before files of personal data are created.

Intellectual and Industrial Property Rights and Domain Names

Intellectual Property

The Intellectual Property Act establishes that intellectual property is any original literary, artistic or scientific creation expressed in any tangible or intangible means or media, whether currently known or which may be invented in the future.

Consequently, all creations that meet the originality requirement may be protected as intellectual property, including the content, source codes and graphic design of websites.

Industrial Property

Industrial property rights are territorial rights that can be protected at different levels: national, EU or international.

Inventions are patentable and, in the area of e-business, patents can be taken out on compression and coding algorithms.

Patents

Spain enacted a new Patent Act in 2015 to adapt the Spanish patent system to the EU and international legislation. The new Patent Act entered into force in April 2017.

Under the Spanish Patent Act, an invention is patentable when it:

- is novel;
- involves an inventive step; and
- is capable of industrial application.

The Spanish Patent and Trademark Office grants patent rights for a non-renewable period of 20 years, beginning on the date the application is filed.

Domain Names

The public corporation Red.es performs the function of a public authority for assigning domain names with the 'dot.es' suffix.

In accordance with the Spanish Master Plan, an accreditation or link between the requested domain and the party requesting its registration is required, and the following requirements must also be fulfilled:

- The domain name must not have been previously assigned.
- It must fit in with syntax guidelines.
- It must comply with the derivation regulations and not have been included within the established prohibitions.

Furthermore, there are a good many new third-level domains: 'com.es', 'nom.es', 'org.es', 'gob.es' and 'edu.es'.

Electronic Invoicing

Electronic invoicing is based on the use of advanced electronic signatures or any other system of electronic data interchange that guarantees the authenticity of invoices sent by email and the reliability of their content.

Electronic Signatures

An 'electronic signature' is a set of data in electronic form that is consigned or associated with other data and can be used as a means of identifying the signing party.

E-money

Electronic money ('e-money') is a monetary value represented by a credit payable by its issuer that is stored on electronic media and accepted as a means of payment by other companies. Before issuing electronic money, a number of specific management procedures and controls are required to ensure operations are carried out properly and to guarantee the stability of the financial system.

Reference Websites

Useful Links and Reference Websites

Data Protection Agency	www.aepd.es
Spanish Tax Authorities	www.agenciatributaria.es
Spanish Association of Accounting and Business Administration	www.aeca.es
Spanish Association for Standardisation and Certification	www.aenor.es
Bank of Spain	www.bde.es
Bilbao Stock Exchange	www.bolsabilbao.es
Barcelona Stock Exchange	www.borsabcn.es
Madrid Stock Exchange	www.bolsamadrid.es
Madrid Chamber of Commerce	www.camaramadrid.es
Barcelona Chamber of Commerce	www.cambrabcn.es
Securities and Investments Board	www.cnmv.es
Spanish Congress of Deputies	www.congreso.es
General Council of Judicial Power	www.poderjudicial.es
Ombudsman	www.defensordelpueblo.es
Spanish Government Headquarters	www.lamoncloa.es
Institute of Chartered Accountants	www.icjce.es
Accounting and Auditing Institute	www.icac.gob.es

Spanish Institute for Foreign Trade	www.icex.es
Official Financing Institute	www.ico.es
National Statistics Institute	www.ine.es
Spanish General Access Point	www.administracion.gob.es
Ministry of Agriculture, Fisheries and Food	www.mapa.es
Ministry of Foreign Affairs, EU and Cooperation	www.exteriores.gob.es
Ministry of Culture	www.cultura.gob.es
Ministry of Defence	www.defensa.gob.es
Ministry of Economy and Finance	www.hacienda.gob.es
Ministry of Education, Vocational Training and Sports	www.educacionfpydeportes.gob.es
Ministry of Transport and Sustainable Mobility	www.transportes.gob.es
Ministry of Industry and Tourism	www.mintur.gob.es
Ministry of the Interior	www.interior.gob.es
Ministry of Justice	www.mjusticia.gob.es
Ministry for Ecological Transition and Demographic Challenge	www.miteco.gob.es
Ministry of Health	www.sanidad.gob.es
Official Register of Auditors	www.icac.gob.es/servicios-roac
Central Company Register	www.rmc.es
Constitutional Court of Spain	www.tribunalconstitucional.es
Audit Office	www.tcu.es

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