

Doing Business in Spain

By: Peter Raymond, P.F. Raymond Inc.



Spain at a Glance

Spain is the fourth largest economy in the European Union (EU) with an infrastructure that is ranked seventh in the world. The country is a strategic hub, and owns EU's largest motorway network, two of Europe's busiest airports, a very extensive rail network ranked number three in the world, along with three of the busiest ports in Europe for container shipping.

Businesses in Spain enjoy a very attractive domestic market as well as having entry opportunities into the EU and other countries known as the Economic European Area. Spain is

also a gateway to northern Africa and a platform for investments in Latin America due to tax treaties, trade programs, domestic rules and regulations, in addition to a common language.

Doing Business in Spain

Spain is one of the world's least restrictive countries to conduct business in and is also one of the least restrictive for international investment opportunities in domestic corporations. As is the case with any investment in a foreign country, it is most prudent to know the local rules, culture, customs, legal requirements and labor pool if you intend to start a business there, just as with any domestic investment. Make sure to spend time researching the specifics of the legal and accounting systems of the country, its labor laws, and have a good grasp of employee benefit requirements. In other words, get legal and accounting assistance, and establish a banking relationship.

Business Structures

There are two main types of business structures in Spain. First, there are public limited companies (Sociedades Anonimas or SA), and second, private limited companies (Sociedades Limitadas or SL). Both are legal entities, so investors and partners are not personally responsible for company debts. Choosing one or the other depends on the type of business and whether the company will be looking to raise additional capital.

Other corporate structures recognized in the Country are Branches, Representative Offices, and Joint Ventures:

- A Branch operates as a representative of its foreign parent company and can carry out a parent company's business activities. It is a Permanent Establishment (PE) and must adhere to all formal obligations such as submitting tax returns.
- Representative Offices, which are not considered PEs, can only carry out certain supporting activities, for example market research studies, and are not allowed to engage in business operations. Unlike Branches, Representative Offices do not have legal autonomy. The parent company is responsible for all obligations and debts incurred by the company.
- Joint Ventures can be set up as a Temporary Joint Venture (Union Temporal de Empresas or UTE) or an Economic Interest Grouping (Agrupacion de Interes Economico or AIE). Both entities can be established with an existing business, determined by the type of business, capital mix, and terms of the joint venture.

No matter the business, Spain has adopted the EU's Anti-Money Laundering laws (AML) as well as terrorist financing regulations requiring company founders to provide the identity and details of its owners. AML rules are strictly enforced.

Incentives

Spain does offer many incentives to investors establishing a business, particularly directed at innovative small and medium size companies and for specific industrial sectors. The Country is business friendly with specific agencies that are available to help navigate the path toward business formation and investment. The business climate encourages new businesses, and after formation supports the company in many traditional activities such as marketing, acquiring labor, and other details common to both startups and established enterprises.

Taxes

The tax structure in Spain is a bit complicated and it is advisable to retain a qualified professional to assist and maintain records for tax purposes. The tax structure includes a corporate tax of 25% (15% for new companies for the first two years), a Value Added Tax (VAT) that is 21% at the standard rate, 10% at a reduced rate, and as low as 4%, plus local taxes. The local taxes are imposed by the region or the town in which the business is located and vary in percentage. Taxes, in some cases, are dependent on the number of employees and the employer must keep in mind the employee benefits as a cost to doing business. The system is like that of the United States.

Geography, Government & Religion

Geographically, Spain occupies most of the Iberian Peninsula stretching south from the Pyrenees Mountains to the Straits of Gibraltar, which separates it from Africa. To the east it is bordered by the Mediterranean Sea. Spain also rules the Canary Islands and two cities in North Africa, Ceuta and Melilla, located on the northern coast of Morocco. The interior of Spain is predominately mountain ranges; however, it does have very fertile farmland and rivers that run to the coasts. Generally, the interior of the country is very hot in the summer and cold and dry in the winter. The coasts tend to be milder than the interior.

Spain is a Parliamentary monarchy. The King appoints the Prime Minister. Legislative power is split into two chambers, a Senate of 259 members, and a House of Representatives composed of 350 members, elected by proportional representation. The members come from nineteen regions or “autonomies” which enjoy a wide freedom of action. The Country is politically stable and has significantly increased its influence in the EU contributing greatly to the infrastructure and rules and regulations of governance. The business environment in Spain is like France and Italy which allows for a robust trade environment encouraged by the government.

Spain is approximately 95% Catholic and 5% other religions. Each city and town have its own patron saint and celebrates religious holidays. There are eleven national holidays plus each region celebrates a “Day of Autonomous Community”.

Lifestyle

The quality of life in Spain is very good. It has a sound and modern healthcare system that is the most efficient in Europe and ranked third in the world after Hong Kong and Singapore. The healthcare and hospital assistance boasts several leading specialists and many excellent medical centers. Coupled with a Mediterranean diet and an excellent climate make Spain one of the healthiest and longest life expectancy countries in the world.

Spaniards are known for their love of life and social interaction with family and friends. The workday typically begins at 9:00AM with a two-to-five-hour midday break, resuming around 4:00PM to 5:00PM and ending at 8:00PM. During this period most shops and government offices are closed, and business activities are greatly reduced. Of course, there are exceptions based upon business activity.

The labor pool is excellent with compulsory education up to the age of 16. The Country has over 30,000 primary and secondary schools, with more than 9,500 private institutions. There are also 254 international schools in Spain along with 51 public and 31 private universities. Spain has a very high literacy rate, makes education affordable, and encourages higher education.

In Conclusion

Spain presents a compelling location for business expansion or startups, boasting a favorable climate, robust healthcare, a stable government, and a high quality of life. Its strategic location within the EU, coupled with an excellent transportation infrastructure, provides easy access to a vast market of consumers. Moreover, Spain's strong domestic market serves as a gateway to both Africa and Europe, making it an ideal base for business operations.

###



Peter Raymond has been in the security industry for 40 years. Peter delivers services to large national and international manufacturers, suppliers, alarm companies, security design companies, and monitoring services platforms. He is an expert in fire systems, business strategy, business marketing, private investigations, and consulting. To reach Peter you may contact him at rpeter5@aol.com

Or, contact the Life Safety Alliance at info@lifesafetyalliance.org.

To learn more about the LSA, visit www.lifesafetyalliance.org