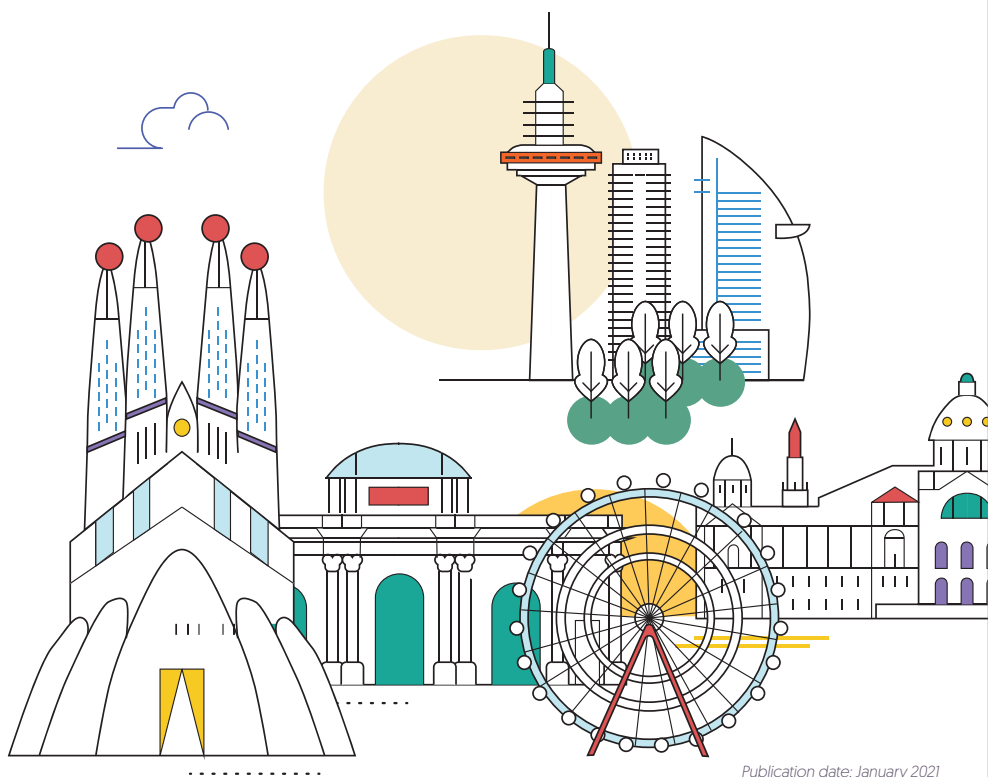
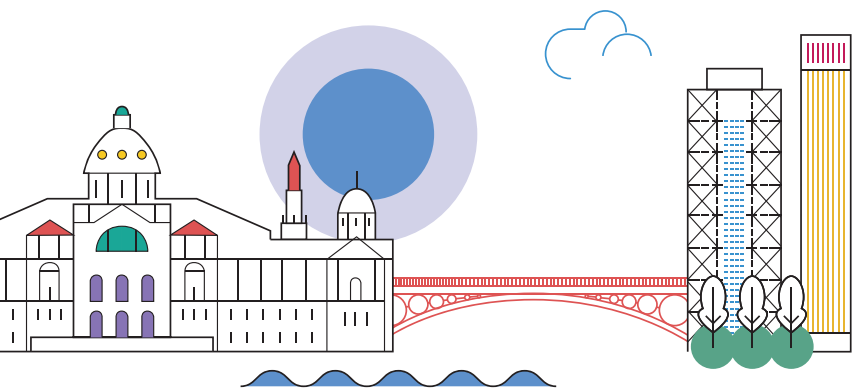


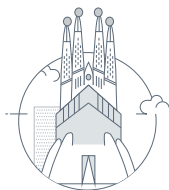
DOING BUSINESS GUIDE

SETTING UP YOUR BUSINESS IN SPAIN:
WHY AND HOW?



Publication date: January 2021





INTRODUCTORY NOTE

Each year more than a hundred French intermediate-sized companies, SMEs, and start-ups cross the Pyrenees Spain to create a business in Spain through a subsidiary or acquisition. The fourth largest European economy is a big market, easy to access, low risk, a natural and almost necessary choice for any French company targeting international markets.

The attractiveness of the Spanish market and the security offered by operating within Europe, however, should not obscure operating differences with France and specific local legal, administrative, tax, or human resources arrangements that need to be taken on board from the start to consider a controlled and successful implementation.

This guide aims to give you an insight into the business rules and practices in Spain. We remain at your disposal to discuss your implementation projects in more detail.

Enjoy!



Diego Daccarett

Managing Director

diego.daccarett@pramex.com

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FRENCH FOREIGN DIRECT INVESTMENTS BAROMETER IN SPAIN

top **3**

International location country chosen by French Intermediate companies/SMEs/start-ups, **2nd in 2019**

2,000+

The number of subsidiaries of French companies in Spain



Madrid

45%

The proportion of businesses set up through acquisitions for French companies setting in Spain

\$55 billion

The amount of French FDI stock in Spain. **France is the third largest investor in Spain**

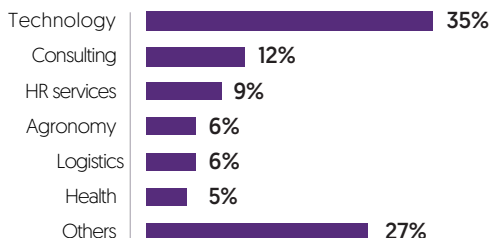
 *Pramex Office*

Small groups and start-ups represent almost half the subsidiaries created in Spain.



Newly incorporated companies in Spain by type of French investors (2019)

Technologies and B2B Services are strongly represented:



Per sectors / Key business areas (2019))

5 KEY QUESTIONS TO BE BETTER PREPARED

Is my company ready to operate in Spain?

Yes if you have confirmed the potential market, have sufficient financial resources and the time needed. The Spanish market is very open despite regional differences, but also very competitive. French companies are usually successful on this large, neighbouring market, provided they prepare well.

How long can the incorporation of a company take?

The process usually takes two to three months. Registration in Spain requires a certain amount of red tape, namely with the identification of individuals and legal persons by the administration and is made official by a notary and registration with the Trade Register.

Do I need to travel to Spain for the administrative steps?

No, the creation of the subsidiary and other steps such as opening a bank account can usually be done remotely, depending on the bank.

What organisation should be set up?

In the case of a subsidiary of a French group, it is customary to appoint the chairman of the French parent company as the manager of the Spanish company. In everyday life, it will be necessary to delegate certain

powers through a notarised proxy. Monthly reporting of the performance of the subsidiary will be required as well as trusted third parties on site to better manage your issues.

What shall I budget the first year?

Between €7 and 14 K for all administrative start-up costs and accounting and legal costs. To this must be added rent for the office and salaries that vary significantly depending on the sector.

Contact Pramex Spain



Calle de Serrano, 90, 6a planta
28006 Madrid
+34 91 111 79 84

SPAIN IN FIGURES

KEY FIGURES



4th
economy
in the Eurozone

+2%
growth in 2019

1st
tourist destination in the
EU, 2nd in the world in
value

1st
high speed train
network in the EU,
3rd in the world

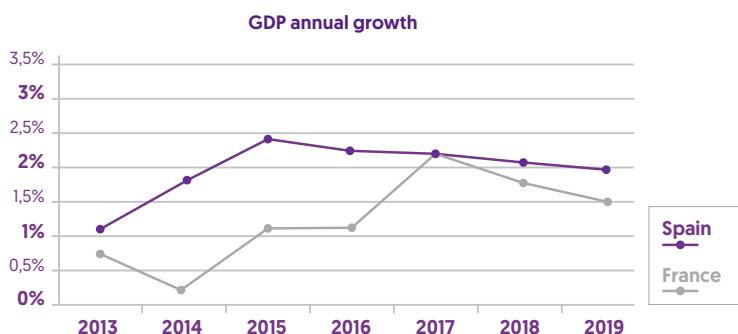
1st
European investor in Latin America,
2nd in the world after the US

2019



Country ranking (GDP)	7	13
GDP (in billions of \$)	2,778	1,394
GDP growth (%)	1.5	2
Population (in M)	67	47
Standard & Poor's sovereign risk	AA	A
Ease of doing business [1 – 189]	32	30

Source: World Bank



THE KEY STRENGTHS

- Market size and proximity
- Diversified economy
- Gateway to Latin America
- Favourable competitiveness-cost ratio
- Quality infrastructure
- Attractive for FDI

6 GOOD REASONS TO SET UP A BUSINESS IN SPAIN



A PRIVILEGED AND OPEN ECONOMIC POSITION

- Market size and proximity within the Eurozone
- 47 million Spaniards, 5 million foreign-born
- 2nd tourist market in the world
- 4th economy in the Eurozone, France is leading customer of Spain
- 11th exporter of services worldwide



A CONNECTED COUNTRY

- Best fibre optic coverage in Europe
- 81% of the population has broadband access
- A dynamic E-commerce market



AN ATTRACTIVELY PRICED AND FLEXIBLE LABOUR MARKET

- A flexible labour market with a contributions rate lower than that of France
- Competitive labour costs with € 21.7 per hour worked against € 37.3 in France
- Top 5 destinations for expatriates worldwide
- Tax incentives for impatriates



4

A TRADE AND INVESTMENT HUB TOWARDS LATIN AMERICA

- No. 1 global partner in terms of bilateral treaties
- 2nd investor in Latin America behind the United States
- Privileged access to a market of 650 million consumers of which 450 million are Spanish-speaking
- Madrid concentrates 35% of air traffic with Latin America

6

SOLID INFRASTRUCTURE

- 3 ports among the top 10 container ports in the world
- An efficient air transport system (Madrid-Barajas is the 5th largest European airport)
- Excellent connections with France: 2 hours by plane for Madrid-Paris flight, 1 hour 40 for a Barcelona-Paris flight



OPPORTUNITIES IN GROWTH SECTORS

- A reshoring phenomenon with industrial relocations in Europe
- Major top-ranking international groups: Santander, leading bank in the Eurozone, Telefónica, 6th operator in the world, ACS, 3rd construction group in the world, Inditex, 2nd global textiles manufacturer
- 2nd European automotive industry, 9th top-ranking producer of agricultural goods in the world

OVERVIEW OF THE LOCAL/LEGAL STRUCTURES IN SPAIN

REPRESENTATIVE OFFICE

For the first stage of implementation, an appropriate structure is needed to confirm the local market potential

- + No bookkeeping or corporate tax requirements
- 👉 Commercial activity is not authorised

BRANCH

Similar administrative management to the subsidiary but rarely used except in the case of certain regulated activities

- + Structure adapted to banking entities
- 👉 No significant tax advantages over a limited liability company

A LIMITED LIABILITY COMPANY

The most common legal form in Spain, including for subsidiaries

- + Minimum share capital of 3,000 euros
- 👉 Bookkeeping

PUBLIC LIMITED COMPANY

Used primarily for large companies (<2% of PLCs in Spain)

- + Gives credibility in the eyes of banks and partners
- + Ability to issue securities/shares
- 👉 Capital contribution of at least € 60,000 and higher cost for the limited company

INCORPORATING YOUR SUBSIDIARY IN SPAIN

1

Verification of the availability of the name with the Trade Register

3 TO 5 DAYS

2

Appointment with the notary and the Appeal Court

ABOUT 3 WEEKS

3

Application for the foreigner identification number (NIE)* for the company director

3 TO 5 DAYS

4

Obtaining tax identification numbers for the company

5 DAYS

5

Opening of a bank account and contribution of the share capital

3 TO 5 DAYS

6

Act of incorporation and signature before a notary

15 DAYS

7

Trade Register

15 DAYS

8

Reception of the Trade Register registration number



Overall timeline approx.

2 to 3 months

* Obtaining the final NIE may take time

MANAGING A SUBSIDIARY IN SPAIN

INCENTIVES FOR INVESTMENT IN SPAIN

Spain offers tax exemptions or reductions in the management of a company which vary depending on the region, or "Comunidades Autónomas". These incentives are granted under certain conditions.



■ Tax relief or tax credit for R&D spending



■ Capital cost allowance following the purchase of equipment or hardware



■ Employment bonus with exemption from payroll taxes on the first 500 euros of wages for a new open contract





■ Social contributions reduced for young entrepreneurs starting their business



■ The so-called "Beckham" law offers a special regime for tax impatriates

ESTIMATED COSTS RELATED TO THE MANAGEMENT OF A SUBSIDIARY

			
Data in euros (€)			
Average annual cost per sqm of office space	526	330	↘-37%
Average gross annual salary of a Sales Director	105,000	95,000	↘-10%
Legal gross minimum hourly wage	10.15	7.27	↘-28%
Fastfood menu	9	8	↘-11%
Monthly public transport subscription cost	75	55	↘-27%
Monthly internet subscription 10Mbps	27	41	↗52%
Prepaid mobile local rate - 1mn	0.23	0.2	↘-13%
Monthly rent (2-bedroom downtown apartment)	2,655	1,716	↘-35%

Sources: Robert Walters - Salary survey 2020
Le coût de l'Expat - Banque Populaire

FRANCE VS SPAIN: EMPLOYMENT LAW AND TAX OVERVIEW

EMPLOYMENT LAW



Contributions		
Employer contributions	35% to 45%	Decreasing $\leq 31\%$ Maximum contribution basis: €4,070/month
Employee contributions	20%	6.35%
Legal weekly working time	35 hours	40 hours
Paid leave in days	30	22

2 types of dismissal in Spain

- Disciplinary dismissal
- Dismissal for objective reasons







Reform of July 2012:

Simplification of the dismissal procedure for objective reasons and mitigation of the hiring risk.

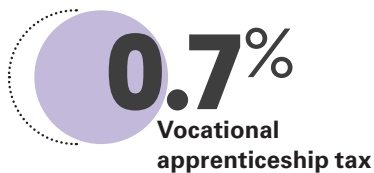
Dismissal is simpler than in France but is subject to standard compensation of 20, 33 or 45 days per year worked.

TAXATION IN SPAIN

Income tax

Taxable income between	Tax	
€ 0 - 12,450		19%
€ 12,451 to € 20,200		24%
€ 20,201 to € 35,200		30%
€ 35,201 to € 60,000		37%
€ 60,001 to € 300,000		45%
More than €300,000		47%

Corporate taxes



SOCIOCULTURAL FEATURES

BUSINESS BEHAVIOUR & LIFESTYLE



The Spanish still prefer face-to-face contact rather than communicating in writing or by telephone



The Spaniards use more animated body language and expressive gestures

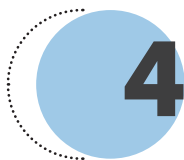


The qualities valued by the Spanish are cordiality, modesty and trust



Feelings and relationships play a very important role for the Spanish and personal relationships must be prioritised

LABOUR CODE



**4 Weeks paid
annual leave**



**14 Public holidays
per year**



The Labour Code is comparable to the French Code



Employee protection hinges on the worker's status and branch agreements

SPECIFIC PROFESSIONAL AND BUSINESS FEATURES



18

**Average late
payment days**



74

**Average
settlement time
of payables**



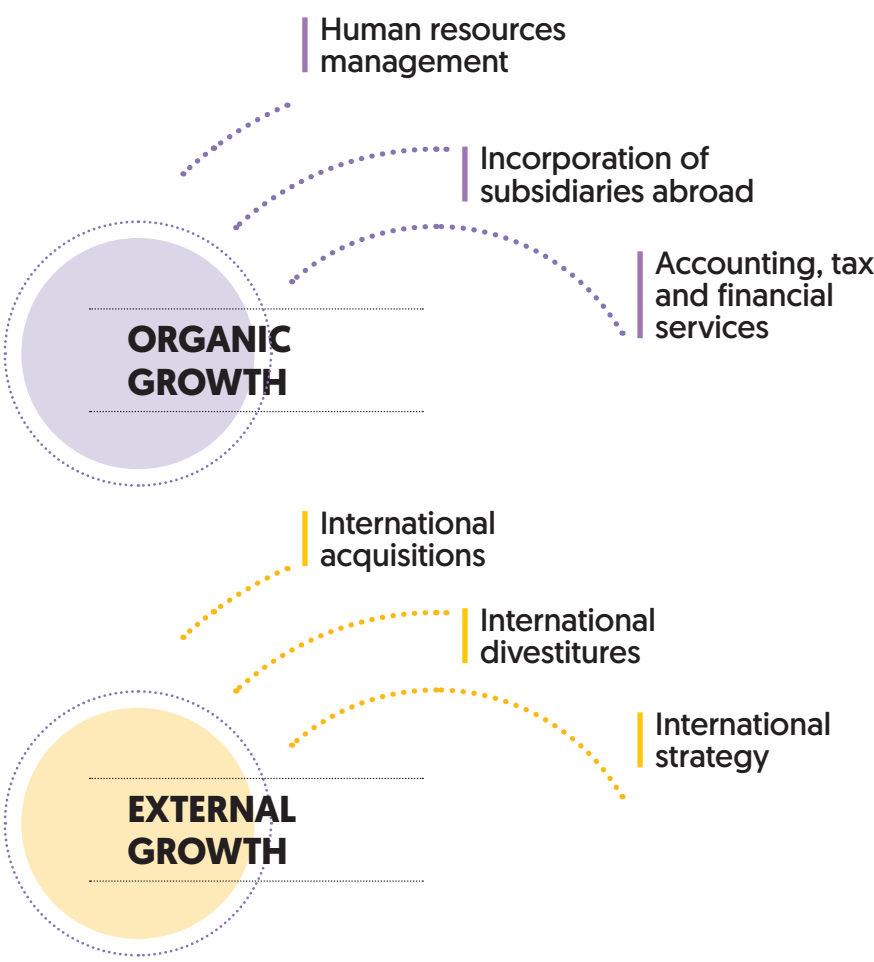
In order to open a bank account but also be a director of a Spanish company, any national of the European Union must apply for a foreigner identification number (NIE)

OUR EXPERTISE

THE SPECIALIST IN SETTING-UP SUBSIDIARIES ABROAD

No.1

IN OUTSOURCED FINANCIAL, HR & LEGAL
CORPORATE SERVICES FOR START-UPS, SMES
AND SMALL GROUPS





The specialist in creating subsidiaries abroad

We manage over **800 subsidiaries of French companies abroad**.



Multiculturalism

Multicultural experts with perfect understanding of the French environment and local characteristics.



Your international partner

We support you in **Europe, the United States, Brazil, Asia and North Africa**.



A one-stop shop

To assist you in the **administration of your subsidiary** (accounting, tax, HR, reporting, insurance, etc.).

WHO ARE WE?

THE FRENCH LEADING CONSULTING FIRM FOR INTERNATIONAL DEVELOPMENT



Subsidiary of  **GROUPE BPCE**, a cooperative bank and insurance group present in more than 40 countries and 2nd leading bank in France.



+1,000
companies supported annually

13
countries

17
offices

130
bicultural experts and
professionals worldwide

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PALATINE**

Because you cannot improvise
when it comes to setting-up operations abroad



Contact in Spain

Calle de Serrano, 90, 6a planta
28006 Madrid
+34 91 111 79 84

www.pramex.com

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