

An aerial photograph of a Spanish city, likely Salamanca, featuring a prominent cathedral with a tall spire and a dense cluster of buildings with red-tiled roofs. The image is split vertically: the left side is in natural colors, and the right side is overlaid with a semi-transparent red filter. The text is overlaid on the left side.

# BUSINESS IN SPAIN 101: WHAT YOU NEED TO KNOW

**AVCO**.legal

2024

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# Strategic Advantages

## Cost of Living City Rankings 2023 (Mercer)

CITY	POSITION
Hong Kong	1
Singapore	2
New York City	6
Shanghai	12
London	17
Dubai	18
Miami	22
Paris	35
Milan	49
Melbourne	71
<b>Barcelona</b>	<b>75</b>
<b>Madrid</b>	<b>83</b>



# Strategic Advantages

## Cost of employees (Eurostat)

COUNTRY	HOURLY COST (€)
Luxembourg	42.1
France	37.5
Germany	36.6
Italy	29.8
<b>Spain</b>	<b>22.8</b>



# Strategic Advantages

## 1- Strategic Advantages: Hub requirements

### Access to multiple markets: EU, America, Africa & Asia

- DTT: 103 (including PH)
- Social Security Agreements: 24 (including PH)
- Agreements for the Promotion and Protection of Investments: 61 (including PH)
- Language: over 570 million speakers
- Geography
- Connectivity: 52 airports + largest high speed train network in EU

# How to set up a company

Entity	Minimum share capital	Minimum n° shareholders	CIT	100% foreign owned	100% foreign directors
Rep. Office	N/A	N/A	N/A	Yes	Yes
Branch	N/A	N/A	15%/ 25%	Yes	Yes
SL (Private Ltd. Co.)	Nil	1	15%/ 25%	Yes	Yes
SA (Public Ltd. Co.)	€ 60,000	1	15%/ 25%	Yes	Yes

# Corporate & Personal Income Tax

## Corporate Income Tax

CIT (Subsidiary)	CIT (non residents with no permanent establishment)	CIT (Canary Islands Special Zone )
15.00% (2 years of positive results); 25% thereafter	24.00%	4.00%



# Corporate & Personal Income Tax

## Personal Income Tax

### Top earners are heavily taxed in Europe:

Denmark: 56%

France: 55,4%

Austria: 55%

Belgium: 50%

VS. Impatriate Regime in Spain

### Impatriate Regime (Beckham Law) in Spain

Special flat tax rate of 24%

Special rate capped on the first € 600,000

Duration: 6 years (year of change of residence + 5)



# Corporate & Personal Income Tax

## Requirements

Individuals who have not been tax residents in Spain in the last 5 years:

- A) Employees
- B) Entrepreneurs (innovation)
- C) Highly qualified professionals
- D) Directors
- E) Digital nomads

## New Tax Allowance in Madrid

New tax residents in the region of Madrid

Investment in financial or real estate assets

Deduction of 20% of the amount of said investment from their gross tax payable



# IV Holding Companies

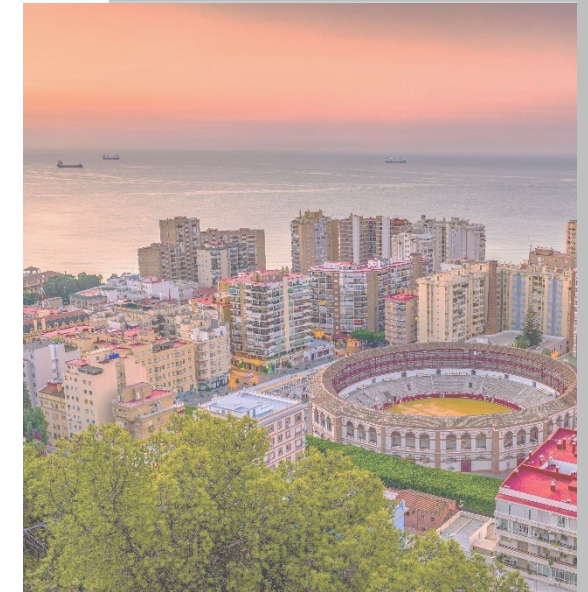
## Tax benefits:

- a) 103 Double Taxation Treaties.
- b) No CIT on dividend income.
- c) No capital gains tax on the sale of shares in qualifying non-resident subsidiaries.
- d) No withholding tax on outgoing dividends subject to the following requirements:
  - Dividends are distributed out of exempt dividends or capital gains obtained by the ETVE from qualifying subsidiaries;
  - Dividends are paid to a non-resident individual or entity;
  - The recipient is not a resident of a tax haven jurisdiction.

# IV Holding Companies

## Requirements:

- a) Qualifying subsidiaries must be foreign resident entities outside of tax haven jurisdictions, subject to domestic tax and carry out business activities;
- b) 5% participation in the non-resident subsidiaries or acquisition cost of at least € 6 million.
- c) Participation must be held for an uninterrupted period of at least 12 months.



# IV Holding Companies

## Example

PhShareholder  
0% WHT

ETVE  
0% CIT on Dividends

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■  
**USCo**  
5% WHT

■  
**CoCo**  
0% WHT

■  
**FrCo**  
0% WHT

■  
**UAECo**  
5% WHT

■  
**PhCo**  
10% WHT

■  
**SgCo**  
0% WHT

# V Free Zone Tax Benefits

## Canary Islands

CIT: 4%

No WHT on dividends, interest and capital gains (except tax havens)

	Maximum Taxable Base	N° Employees	Minimum investment (fixed assets)
<b>Gran Canaria/Tenerife</b>	€ 1.8 million	5	€ 100,000
	Additional € 500k per employee	6-50	Waived for: IT, audiovisual, videogame, intensive innovative companies HR and
	No cap	More than 50	
<b>Other islands</b>	€ 1.8 million	3	€ 50,000
	Additional € 500k per employee	4-50	Waived for: IT, audiovisual, videogame, intensive innovative companies HR and
	No cap	More than 50	



# VI Residency Requirements

## 01 Employee visa

**Passport:** minimum validity: 4 months

**Employment agreement**

**Health certificate:** issued by a medical centre in the Philippines

**National employment situation**

## 02 Self-employed visa

**Passport:** minimum validity: 6 months

**Proof of financial capacity:** relative to business

**Business plan:** investment, expected turnover, jobs created

**Diplomas/degrees:** if applicable

**Employee/Self-Employed:** (post visa) 3 months to register with Social Security

# VI Residency Requirements

## Special cases

### A) Highly qualified professional:

- Higher technician degree or equivalent 3 years of proven experience
- Duration (years): 3 + 2

### B) Investment:

- Real estate, business project; bonds & deposits
- Duration (years): 1 + 3 + 5 + 5 ...

### C) Digital Nomad

- Remote work for a foreign company (employee or contractor)
- Work for a company located in Spain: limited to 20%
- Duration (years): 3 + 2



# VII Incentives

## 7.1.- State incentives for specific industries

- A) R+D+i (partially repayable loans; non-repayable tranche between 20%-33%)
- B) Tourism
- C) Audiovisual
- D) Industrial investment (long-term loans)

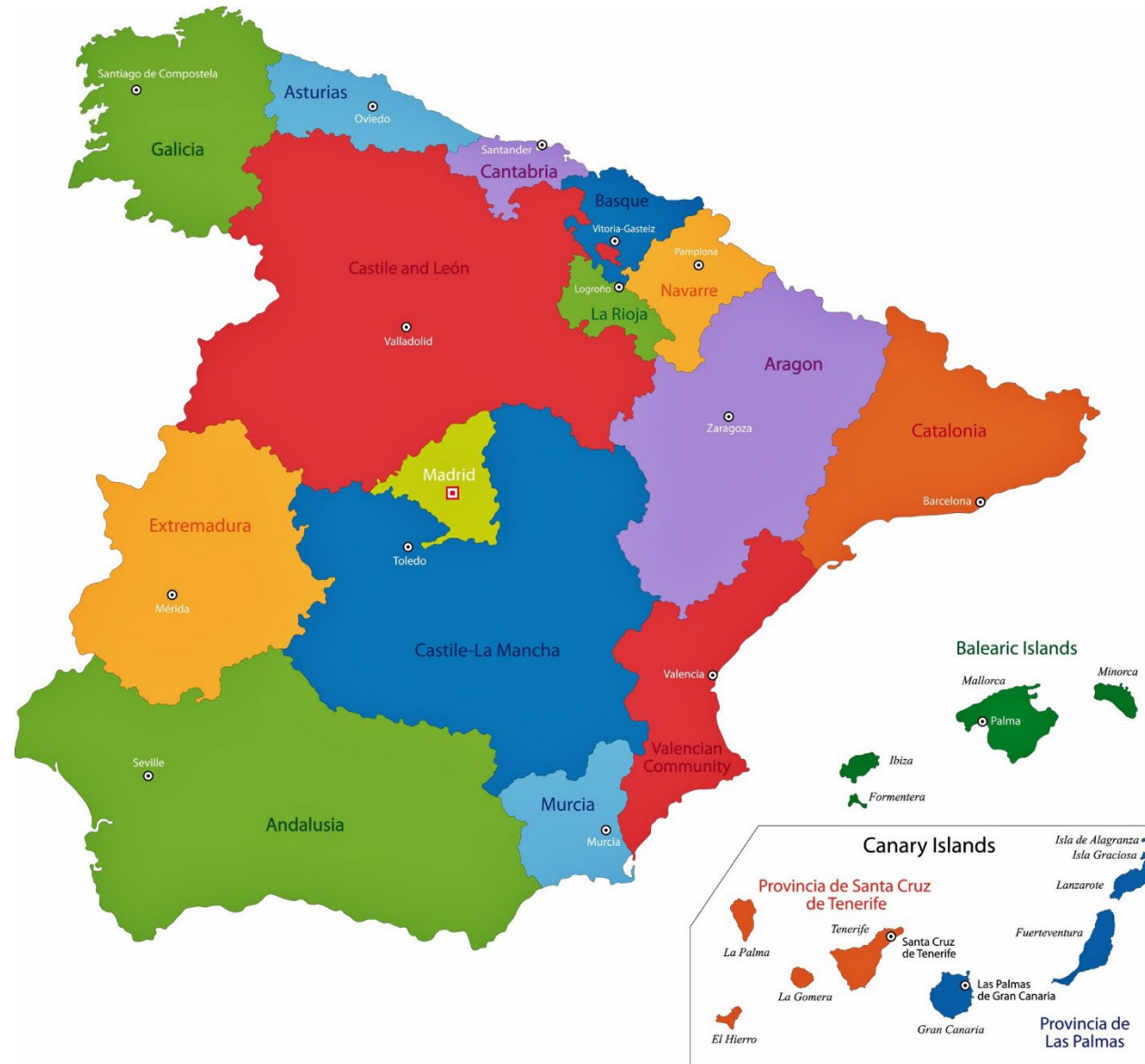
## 7.2.- Regional Incentives

### State aids

- A) Processing industries and production support services
- B) Technology intensive industries and ITC services
- C) Tourism establishments (environmental impact)



# VII Incentives



# VII Incentives

## Regional aids

### A) Industries










- Industrial support services
- Processing industries
- Tourism
- Culture
- Industrial design
- Electronics and computing
- Renewable and environmental energy

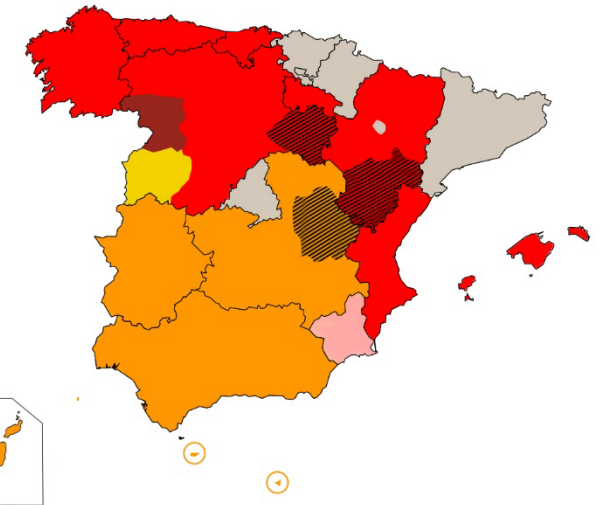
### B) Incentive types

- Nonrefundable subsidies.
- Special conditions for loans and credit.
- Technical counselling and training courses.
- Tax incentives.
- Guarantees.
- Social security relief.

**Regional Aid Map for Spain**  
(2022-2027)

**Incentives Intensity**

	BIG CO.	MEDIUM CO.	SMALL CO.	
	50%	60%	70%	"A area" (Ultra periferic area)
	30%	40%	50%	"A area" (Sparsely populated areas)
	30%	40%	50%	"A area"
	25%	35%	50%	"C area" (Adjacent)
	20%	30%	40%	"C area" (Population loss areas)
	20%	30%	40%	"C area" (Sparsely populated areas)
	20%	30%	40%	Until 31/12/24 "C area" (Former "A area")
	15%	25%	35%	Until 31/12/27 "C area" (Sparsely populated areas)
	Not Qualify			



# VIII Dos and Don'ts

## Dos

- A) Seek guidance to navigate layered legislation
- B) Build personal relationships
- C) Business plan
- D) Fiscal analysis: tax benefits/allowances
- E) Strategize: 1) sum of regional markets; 2) EU/Americas

## Don'ts

- A) Forget compliance matters: UBOs, ESG, data protection...
- B) Put off expatriation plans
- C) Skip HR recruiters for key positions
- D) Litigate unless unavoidable
- E) Depend on grants and subsidies



## 09 HOW AVCO CAN HELP

- A) Company set-up
- B) Labour issues: eg, employment agreements
- C) Tax
- D) Compliance
- E) Immigration
- F) Real Estate (purchase & lease)
- G) Analysis of incentives programmes



Thank you

| Gracias

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