



# GUIDE TO BUSINESS IN SPAIN 2024

**40<sup>th</sup>** ANNIVERSARY



**Spain: an attractive country for investment**





40<sup>th</sup> ANNIVERSARY

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This guide was researched and written by Garrigues, on behalf of ICEX, on February 2024.

This guide is correct to the best of our knowledge. It is, however, written as a general guide so it is necessary that specific professional advice be sought before any action is taken.

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# 1

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Spain is in an outstanding position worldwide in terms of the importance of its economy: the 15<sup>th</sup> largest economy in the world by GDP, the 13<sup>th</sup> country most attractive for foreign direct investment (FDI), the 17<sup>th</sup> largest issuer of FDI and the 10<sup>th</sup> largest exporter of commercial services.

Spain has a modern economy based on knowledge, in which services represent over 76% of business activity. It is an international center for innovation that benefits from a young and highly qualified population of a proactive nature, and competitive costs in the context of Western Europe, especially as regards graduate and post-graduate employees.

The country has worked hard to equip itself with state-of the art infrastructures capable of fostering the future growth of the economy. And this has been done alongside a major commitment to R&D.

There are interesting business opportunities for foreign investors in Spain in high value-added and strategic fields such as the ICT, renewable energy, biotechnology, environment, aerospace and automotive sectors, because of the attractive competitive environment.

In addition, companies that set up business in Spain can gain access not only to the Spanish national market, an attractively large market (over 48 million consumers) with a high purchasing power, but also to the markets of the EMEA region (Europe, Middle East and North Africa), and Latin America, given its privileged geostrategic position, prestige and the strong presence of Spanish companies in these regions.

The main characteristics of our country are described in this chapter: demographics, political and territorial structure, economy and the foreign trade sector.

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## 1.

### Introduction

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Spain is one of the most important economies in the world, ranking 15<sup>th</sup> in size and has an immense capacity to attract foreign investment (currently ranked 8<sup>th</sup> in terms of foreign direct investment)<sup>1</sup>. Spain's appeal for investment lies not only in its domestic market, but also in the possibility of operating with third markets from Spain. This is because Spain has a privileged geo-strategic position within the European Union giving access to 2,400 million potential clients in the EMEA Region (Europe, Middle East and Africa). Besides, its strong economic, historic and cultural ties also make Spain the perfect business gateway to Latin America.

Furthermore, Spain is a modern knowledge-based economy with services accounting for over 76%<sup>2</sup> of economic activity. The country has become a center of innovation supported by a young, highly-qualified work force and competitive costs in the context of Western Europe.

This chapter gives a brief description of Spain's vital statistics: its population, its political and territorial structure and its economy.

<sup>1</sup> According to the 2023 A. T. K Kearney FDI Confidence Index.

<sup>2</sup> National Statistics Institute. 2023 Labor Force Survey.

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## 2.

### The country, its people and quality of life

#### 2.1 GEOGRAPHY, CLIMATE AND LIVING CONDITIONS

The Kingdom of Spain occupies an area of 506,000 square kilometers in the southwest of Europe, and is the second largest country in the EU. The territory of Spain covers most of the Iberian Peninsula, which it shares with Portugal, and also includes the Balearic Islands in the Mediterranean Sea, the Canary Islands in the Atlantic Ocean, the North African cities of Ceuta and Melilla and several small islands.

Despite differences among the various regions of Spain, the country can be said to have a typical Mediterranean climate. The weather in the northern coastal region (looking onto the Atlantic and the Bay of Biscay) is mild and generally rainy throughout the year, with temperatures neither very low in the winter nor very high in the summer. The climate on the Mediterranean coastline, including the Balearic Islands, Ceuta and Melilla, is mild in the winter and hot and dry in the summer. The most extreme differences occur in the interior of the Peninsula, where the climate is dry, with cold winters and hot summers. The Canary Islands have a climate of their own, with temperatures constantly around 20 degrees Celsius and only minor variations in temperature between seasons or between day and night.

Spain has an excellent quality of life and is very open to foreigners. Almost 8,000 kilometers of coastline, abundant sporting facilities and events and social opportunities are crowned by the diversity of the country's cultural heritage as a crossroads of civilizations (Celts, Romans, Visigoths, Arabs, Jews, etc.).

#### 2.2 POPULATION AND HUMAN RESOURCES

The population of Spain in 2023 was over 48 million people, with a population density of 95 inhabitants per square kilometer.

Spain is a markedly urban society (see Table 1), as evidenced by the fact that almost 32% of the population lives in provincial capitals.

**Table 1**

THE BIGGEST CITIES IN SPAIN*	
	POPULATION
Madrid	3,332,035
Barcelona	1,660,122
Valencia	807,693
Seville	684,025
Zaragoza	682,513
Málaga	586,384
Murcia	469,177
Palma	423,350
Las Palmas de Gran Canaria	378,027
Bilbao	346,096

\*Figures refer only to the municipal districts of each city.

**Source:** Report on registered population of Spanish provincial capital cities at January 1, 2023. National Statistics Institute/Official State Gazette.

Spanish is the official language of the country. There are other Spanish languages that are also official in the corresponding Autonomous Communities (regions), according to their "Statutes of Autonomy". Education is compulsory until the age of 16 and English is the main foreign language studied at school.

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Spain has a labor force of more than 24 million people according to the Labor Force Survey (released in the fourth quarter of 2023). Spain's population is relatively young: 15% is under 16 years old, 65% is between 16 and 64 years old, and only 20% is 65 and over, according to 2023 figures. As highlighted in Table 2, Spain has a highly diverse and multicultural population.

**Table 2**

### FOREIGNERS RESIDENT IN SPAIN BY CONTINENT OF ORIGIN

	2020	2021	2022	2023
Europe	3,200,493	3,315,427	3,488,252	3,694,900
America	1,032,621	1,080,817	1,125,113	1,285,731
Asia	471,539	487,463	497,054	522,015
Africa	1,091,449	1,120,090	1,130,902	1,193,468
Oceania	2,827	2,931	3,095	3,504
Unknown	1,531	1,423	1,714	11,982
<b>TOTAL</b>	<b>5,800,460</b>	<b>6,008,151</b>	<b>6,246,130</b>	<b>6,711,600</b>

Source: Ministry of Inclusion, Social Security and Migrations<sup>3</sup>. \*Data as of June 30, 2023.

Spain is particularly noted for the contribution from, and the integration of, these groups, as well as for the absence of cultural conflict.

Spain's labor force structure by economic sector underwent significant changes some time ago, with an increase in the active population in the services sector and a decrease in the number of workers employed in farming and industry. Today, the services sector is by far Spain's main employer (Chart 1 and Table 3).

The labor force is highly qualified and capable of adapting to technological changes.

Lastly, in keeping with the commitment entered into with the European Union to promote job creation, the Spanish government has implemented significant reforms to the job market in recent years, introducing a greater degree of flexibility in employment

Like our neighboring countries, and as a result of the recent global crisis and the effects of the Covid-19 pandemic on the economy, Spain has launched an ambitious program of structural reform with a view to boosting economic growth and job creating.

In this context, the Spanish government, in keeping with the commitments entered into by the European Union to promote employment, implemented major labor market reforms in line with the trends observed in neighboring countries and the proposals made by various economic agents and institutions and international economic advisers. The reforms aimed to introduce greater flexibility, reduce the dual nature of the job market and improve the employability of workers. A new labor reform was passed in 2022 with the main objective of ensuring availability of skills in the Spanish labor market and tackling the mismatch between labor supply and demand.

This, among other factors, has led to the creation of 4.1 million jobs since 2014.

In addition, number of procedures have also been introduced to facilitate the entry, residence and permanence in Spain, for reasons of general interest, of foreigners who plan to invest and create jobs in Spain or who are highly qualified professionals.

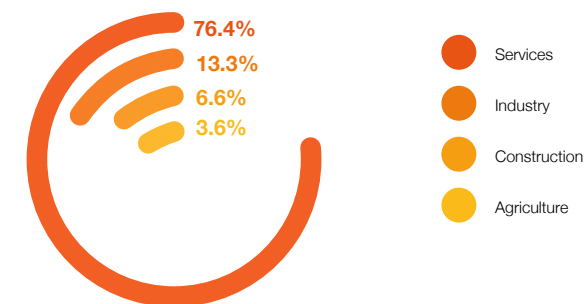
## 2.3 POLITICAL INSTITUTIONS

Spain is a parliamentary monarchy. The King is the Head of State<sup>4</sup> and his primary mission is to arbitrate and moderate the

correct functioning of the country's institutions in accordance with the Constitution. He also formally ratifies the appointment or designation of the highest holders of public office in the legislative, executive and judicial branches<sup>5</sup>.

**Chart 1**

### LABOR FORCE STRUCTURE BY ECONOMIC SECTOR IN 2023



Source: National Statistics Institute.

**Table 3**

### EVOLUTION OF LABOR FORCE STRUCTURE BY ECONOMIC SECTOR (PERCENTAGE)

	2020	2021	2022	2023
Agriculture	4.1	4.2	3.7	3.6
Industry	13.9	13.7	13.7	13.3
Construction	6.6	6.4	6.4	6.6
Services	75.4	75.7	76.2	76.4

Source: National Statistics Institute. 2023 Labor Force Survey.

<sup>3</sup> [https://public.tableau.com/views/opi\\_stock/infografia?%3AshowVizHome=no](https://public.tableau.com/views/opi_stock/infografia?%3AshowVizHome=no)

<sup>4</sup> [https://www.casareal.es/ES/corona/Paginas/subhome\\_corona.aspx](https://www.casareal.es/ES/corona/Paginas/subhome_corona.aspx)

<sup>5</sup> <https://www.poderjudicial.es/cgpi/>

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The Constitution of 1978 enshrined the fundamental civil rights and public freedoms as well as assigning legislative power to the *Cortes Generales* (Parliament)<sup>6</sup>, executive power to the Government of the nation, and judicial powers to independent judges and magistrates.

The responsibility for enacting laws is entrusted to the *Cortes Generales*, comprising the *Congreso de los Diputados* (Lower House of Parliament) and the *Senado* (Senate), the members of which are elected by universal suffrage every four years.

The *Cortes Generales* exercise the legislative power of the nation, approve the annual State budgets, control the actions of the Government and ratify international treaties.

The Government<sup>7</sup> is headed by the *Presidente del Gobierno* (President of the Government) who is elected by the *Cortes Generales* and is, in turn, in charge of electing the members of the *Consejo de Ministros* (Council of Ministers).

The members of the Council of Ministers are appointed and removed by the President of the Government at his or her discretion.

For administrative purposes, Spain is organized into 17 Autonomous Communities (Regions) each of which generally comprises one or more provinces, plus the Autonomous Cities of Ceuta and Melilla in Northern Africa and the total number of provinces is 50.

Each Autonomous Community (Region) exercises the powers assigned to it by the Constitution as specified in its “Statute of Autonomy”. These Statutes also stipulate the institutional organization of the Community concerned, consisting generally of: a legislative assembly elected by universal suffrage, which enacts legislation applicable in the Community, a Government with executive and administrative functions, headed by a

President elected by the Assembly, who is the Community’s highest representative, and a Superior Court of Justice, in which judicial power in the Community’s territory is vested. A Delegate appointed by the Central Government directs the Administration of the State in the Autonomous Community (Region), and co-ordinates it with the Community’s administration.

The Autonomous Communities (Regions) are financially autonomous and also receive allocations from the general State budgets.

As a result of the structure described above Spain has become one of the most decentralized countries in Europe.

<sup>6</sup> <https://www.congreso.es/es/home>

<sup>7</sup> <http://www.lamoncloa.gob.es/Paginas/index.aspx>



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### 3.

## Spain and the European Union

Spain became a full member of the European Economic Community in 1986. In this connection and according to figures published by the European Commission, Spain fully complies with the objectives established by the European Council.

A major impact of European Union membership for Spain, and for the other Member States, came in the mid-nineties with the advent of the European Single Market and the European Economic Area, which created a genuine barrier-free trading space.

Since then, the EU has advanced significantly in the process of unification by strengthening the political and social ties among its citizens. Spain, throughout this process, has always stood out as one of the leaders in the implementation of liberalization measures.

With the aim of strengthening democracy, efficiency and transparency within the EU and, in turn, its ability to meet global challenges such as climate change, security, and sustainable development, on December 13, 2007, the then 27 EU Member States signed the [Treaty of Lisbon](#), which entered into force – subject to prior ratification by each of the 27 Member States – on December 1, 2009. The European Parliament elections took place between June 4 and 7 of that year<sup>8</sup>.

In July 2013, with the addition of Croatia, the number of countries in the European Union was increased to 28 Member States<sup>9</sup>. Nonetheless, the referendum on whether the United Kingdom and Gibraltar should remain in the European Union was held on June 23, 2016, the result being in favor of their exiting the Union. Thus, on January 31, 2020, the United Kingdom left the European Union upon the entry into force of the Withdrawal Agreement, as a result of which the number of Member States currently stands at 27.

Spain holds significant responsibilities within the EU, evidenced by the fact that it is the fourth country in terms of voting power on the European Union Council. It should be noted that Spain held the

Presidency of the Council in the second half of 2023, its mandate coming to an end on December 31 of that year.

The introduction of the Euro (on January 1, 2002) heralded the start of the third Spanish presidency of the European Council and represented the culmination of a long process and the creation of a veritable array of opportunities for growth for Spanish and European markets. Since January 1, 2023, with the addition of Croatia, Eurozone membership now stands at twenty.

The euro has led to the creation of a single currency area within the EU that makes up the world's largest business area, bringing about the integration of the financial markets and economic policies of the area's member states, strengthening ties between the member states' tax systems and bolstering the stability of the European Union.

Furthermore, the adoption of a single European currency has had a clear impact at an international level, raising the profile of the Eurozone at both international and financial gatherings (G-7 meetings) and within multilateral organizations. The economic and business stability offered by the euro have contributed to the growth of the Spanish economy, as well as its international political standing. In addition, measures are being implemented to strengthen the European economy; for example, the Euro-Plus Pact designed to consolidate the coordination of the economic policy in the Economic and Monetary Union.

In May 2020 the European Commission presented a proposal for reviewing the Multiannual Financial Framework with a view to

<sup>8</sup> [https://european-union.europa.eu/principles-countries-history/principles-and-values/founding-agreements\\_en](https://european-union.europa.eu/principles-countries-history/principles-and-values/founding-agreements_en)  
[http://europa.eu/about-eu/eu-history/index\\_es.htm](http://europa.eu/about-eu/eu-history/index_es.htm)

<sup>9</sup> [https://european-union.europa.eu/principles-countries-history/eu-countries\\_en](https://european-union.europa.eu/principles-countries-history/eu-countries_en)



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increasing investments in 2020 in order to confront the Covid-19 public health crisis.

Subsequently, in December of the same year, the Council of the European Union approved the Regulation laying down the multiannual financial framework of the European Union for the years 2021 to 2027, consisting of a financing instrument aimed at supporting all areas of action of the European Union, with a particular focus on ecological and digital transitions, and helping EU Member States to deal with the consequences of the Covid-19 public health crisis, stimulating their modernization and resilience. Spain thus remains committed to structural reforms, boosting economic growth, investment and employment, based on a more competitive European Union.

Spain has traditionally benefitted from EU funding from the Structural Funds and the Cohesion Fund and is the third largest recipient of such Funds. During the 2021-2027 period, European financing under the Multiannual Financial Framework, together with the temporary recovery instrument "Next Generation EU", is expected to entail a positive contribution of over €2 trillion to help repair the damage brought about by the Covid-19 pandemic and to support the long-term priorities of the European Union in various areas of action.

European institutions are tasked with encouraging and supporting technological research and development. In December, 2020 the Council of the European Union reached a provisional political agreement with the European Parliament's negotiators on the proposed Regulation establishing Horizon Europe for the years 2021 to 2027.

Horizon Europe is built around three pillars:

1. Excellent Science.
2. Global Challenges and European Industrial Competitiveness.
3. Innovative Europe.

It seeks to boost industrial leadership in Europe and strengthen the excellence of its science base, which is essential to the sustainability, prosperity and wellbeing of Europe in the long term.

On February 18, 2022, the Council of Ministers passed the bill for reform of the 2011 Science Law, which aims to provide resources, rights and stability for R&D&I personnel, as well as ensure stable and growing public funding, with a target of 1.25% of GDP which, coupled with private investment, would meet the European Union R&D funding target of 3%.

In late 2015, the Government approved the creation of the State Research Agency in order to provide the Spanish science, technology and innovation model with a swifter, more flexible and independent management system. This body, which is responsible for financing, assessing and allocating R&D funds, acts in conjunction with the Center for Industrial and Technological Development (CDTI), the other major R&D&I funding body, in this case aimed especially at the business world, and which in the 2023 financial year approved funding for business R&D&I projects of more than €300,000,000. Both entities steadily promote transnational and bilateral research and cooperation projects.

Within the framework of the Recovery, Transformation and Resilience Plan, the Ministry of Science, Innovation and Universities has established special employment measures to encourage the return of researchers to Spain, launching various lines of subsidies and special loans in the budget targeted at R&D projects in the healthcare and aerospace sectors, among others. The expectation is that the General State Budget for 2024 includes a large direct investment in R&D&I.

With a view to meeting targets under the European Green Deal, on August 31, 2022, the European Commission approved the

2023-2027 Common Agricultural Policy Strategic Plan for Spain (2023-2027 CAP). The main goals of the 2023-2027 CAP are to achieve a competitive and diversified agricultural sector, ensuring food security, protecting the environment and biodiversity, and strengthening the socio-economic fabric of rural areas.

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## 4.

### Infrastructure

The government intends to continue its program of intense investment in this area in the future. In this sense, within the framework of the Strategy for Safe, Sustainable and Connected Mobility 2030, it plans to allocate more than €6,667,000 from the Next Generation program to infrastructure and mobility policies, mainly focused on railways, through the activity programs drawn up by the railway infrastructure administrators Adif and Adif Alta Velocidad.

The objectives of the Strategy for Safe, Sustainable and Connected Mobility 2030, marked by changes in the global context, are aligned with the need to decarbonize the economy and address climate change, the emergence of new technologies and the challenges caused by the increasing concentration of population in large cities.

The motorway and dual carriageway network, of 17,551 kilometers, has undergone constant renovation with a view to enhancing its efficiency. Today it is the leading European motorway and dual carriageway network.

As far as railway transport is concerned (where Spain has a network of almost 18,000 kilometers), high-speed networks have become a priority. This has allowed the number of high-speed passengers to grow by 76% in 2022, exceeding 23 million passengers.

Madrid currently has high-speed train connections to 37 Spanish cities, meaning that approximately two-thirds of the Spanish population live within reach of a high-speed train station.

The network is constantly expanding: in 2022, the Madrid-Murcia and Madrid-Burgos sections were added, and in 2023, the Madrid-Asturias line was inaugurated, to which an investment of more than €4,000,000,000 has been allocated. The Spanish government estimates that the construction of the entire Mediterranean corridor, which runs from Almeria to the French border and is currently in the final phase of construction following the approval of a budget of €400,000,000 to complete the last section between Murcia and Almeria, will be completed by the period 2025-2026.

In fact, in recent years, Spain has become a global high-speed rail pioneer, having multiplied the kilometers of high-speed lines in service more than nine-fold, from just over 450 kilometers to around 4,000 kilometers at present.

Since its inception, over €65,000,000 has been invested in the high-speed rail network, making a commitment to ensuring that 9 out of every 10 citizens live less than 30 kilometers away from a high-speed rail station.

Spain has thus become the leading country in Europe and the second worldwide, after China, in terms of the number of kilometers of high-speed lines in operation, outperforming countries such as France and Japan. Looking toward to 2024, and in line with previous years, the expectation is that the General State Budget will allocate to railroads the bulk of State and European infrastructure funding.

Also noteworthy is the important network of relations with managers of railroad infrastructure in other countries, established as a result of signing cooperation protocols. In the context of these agreements representatives from a range of countries, such as the US and Brazil, have visited Spain to learn about its high-speed model. By way of example, since 2020, administrative licenses and concessions have been granted to Spanish companies for their participation in the construction of railway infrastructure and equipment in countries such as Australia (Sydney), the United Kingdom, Slovakia, Poland and the United States (Dallas and Houston), among others. Additionally, Renfe operates the high-speed line connecting Medina and Mecca in Saudi Arabia. In this context of expansion, the Renfe Strategic Plan envisages that 10% of the company's revenue will come from international markets in 2028.

Regarding the deregulation of rail passenger transport services, approval was given to Royal Decree-law 23/2018, which transposes the Directive developing the single European railway area, allowing access to the railway infrastructures of all Member States and reinforcing the independence and impartiality of the administrators

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of such infrastructures. As a consequence of the deregulation, the last few years have seen the launch of low-cost high-speed services through operators such as Avlo (2020), Ouigo (2021) and Iryo (2022), fostering competition in the sector.

Finally, the ongoing liberalization of the freight sector since 2005 has led to the creation of private enterprises that transport goods by railroad. Following approval of the European Recovery Plan, the European Commission has authorized a €120,000,000 support package designed by the Spanish government, with a time frame until June 2026, channeled through subsidies aimed at companies that substitute road transport for rail transport, compensating the difference in costs between the two modes of transport. This plan aims to incentivize rail transport over road transport, as well as improve the competitiveness.

Air transport links the main Spanish cities via Spain's 48 airports, which also connect Spain to the world's leading cities. Spain is a major hub for routes linking the Americas and Africa to Europe. The most significant investments in the pipeline are aimed at Madrid airport. AENA plans to invest €2,400,000 in Adolfo Suárez Madrid-Barajas Airport up to 2026, the main objective being to increase capacity up to 90 million passengers in 2031 and to consolidate its position as the main global link to Latin America. In 2023, passenger numbers reached a record high, receiving 283 million passengers, an increase of 16.2% over 2022.

The 2025 Flight Plan approved by ENAIRE provides for investment in excess of €100,000,000 a year, of which €98,700,000 are earmarked for the European ATM Master Plan within the framework of the Single European Sky. By the end of the Plan in 2025, total investment will have reached €737,000,000, with the aim of adapting to the liberalization of services, as well as globalization and the consolidation of air navigation managers. The 2025 Flight Plan also seeks to enhance flight path efficiency as part of a commitment to sustainable aviation.

Furthermore, with over 46 international ports on the Atlantic and Mediterranean coasts, Spain boasts excellent maritime transport links, becoming a port and harbor powerhouse, only behind the Asian giants, the US, Germany and the Netherlands. The reinforcement of short-distance maritime transport, both domestic and European, and the development of "seaside motorways" are some other key initiatives. For example, several seaside motorways are in operation linking Spain (Vigo) with various ports in France, the United Kingdom, Morocco and Belgium. Likewise, in 2022, the ferry line between Santander and the Irish port of Cork was reopened and services between Santander and the British ports of Plymouth and Portsmouth were reinforced, and in 2023, the Irish city of Rosslare was added to the list of destinations.

This will allow a more sustainable alternative in some of the main flows within the EU. In addition, with a view to improving the competitiveness of ports, the Ports Law was revised in 2021 to increase competitiveness and introduce the regulation of autonomous or unmanned ships.

In the same vein, the 2021-2025 Investment Plans for the port system were approved in 2021 to enhance port system connections, with an investment of more than €11,000,000 being earmarked within the new Strategic Framework for the General Interest Port System.

As part of its plans for internationalization, the State Port Authority is promoting alliances with the major Chinese operators, with the Barcelona Europe South Terminal (BEST) at the port of Barcelona being operated by Chinese group Hutchinson Port Holdings (HPH), the leading port terminal operator in the world. Competitiveness and an emphasis on renewable energies has led shipping company Maersk to pick Spain as one of the world centers from which to produce its own green fuel, with an investment of €10,000 being envisaged. Three major Spanish ports (Bahía de Algeciras, Valencia and Barcelona) are listed among top 100 ports worldwide in terms

of container traffic<sup>10</sup>, thereby confirming Spain's strategic position in the global maritime transport industry.

Spain is well equipped in terms of technological and industrial infrastructure, having seen a boom in technological parks in the leading industrial areas, as well as around universities and R&D centers. There are currently more than 50 fully operational technological parks<sup>11</sup> housing over 5,000 companies, mainly engaged in the telecommunications and IT industries, in which a large number of workers are employed in R&D activities.

Spain also boasts a solid telecommunications network, with an extensive conventional fiber optic cable network covering the country almost in its entirety, in addition to an extensive undersea cable network, aided by its privileged geographical position.

Particularly noteworthy is the significant deregulation set in place many years ago in the majority of industries, including the telecommunications industry, meeting the deadlines set for such purpose by the EU with ease. Among other advantages, this deregulation meant a more competitive range of products on offer as reflected in costs, essential for economic development.

Lastly, Government backing for integral management of water resources, based on environmental management and recovery, more efficient use of water and planned management of risks such as droughts and flooding. As part of these initiatives, the Spanish government approved the 2022-2027 Water Plans for the Spanish River basins, which came into force in February 2023. The main objective of the new plans is to readjust water management to the effects of climate change, reducing allocations to adapt them to climatic conditions and improve the treatment of urban waste

<sup>10</sup> <https://lloydslist.com/one-hundred-container-ports-2023>

<sup>11</sup> Members of the Association of Science and Technology Parks in Spain. <http://www.apte.org/es>

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## 5.

### Economic structure

The structure of the Spanish economy is that of a developed country, with the services sector being the main contributor to GDP, followed by industry. In 2023, these two sectors represented nearly 92% of Spain's GDP, with agriculture's share today representing just 2.56% of the total GDP, having declined sharply (see Table 4).

**Table 4**

STRUCTURE OF GDP (% OF TOTAL, CURRENT PRICES)				
SECTOR	2021	2022	2023	
Agriculture and fishery	2.89%	2.65%	2.56%	
Industry	16.94%	17.60%	16.71%	
Construction	5.58%	5.22%	5.49%	
Services	74.59%	74.53%	75.24%	

Source: National Statistics Institute.

During 2023, GDP continued its growth trend, which resumed in 2021 albeit at a slower pace due to the decline in Spanish exports as a result of lower international economic growth, geopolitical instability and the impact of the European Central Bank's contractionary monetary policy.

The change in the quarter-on-quarter GDP growth rate in the fourth quarter of 2023 amounted to 0.6%<sup>12</sup> compared with the previous quarter in terms of volume, bringing year-on-year GDP growth to 2.5%<sup>13</sup>, reflecting a sustained recovery of the Spanish economy. Estimates made by the Bank of Spain indicate that the GDP growth rate is expected to remain at similar levels throughout 2024.

Inflation in Spain had been gradually falling since the end of the 1980s. Average inflation between 1987 and 1992 was 5.8%; it dropped below 5% for the first time in 1993, and it has been shrinking gradually since then. For reference, the year-on-year

inflation rate at December 2020 was -0.5%. However, 2021 saw a change in the inflation trend, due mainly to an upsurge in demand following the restrictions introduced as a result of the pandemic, leading to mismatches between supply and demand as a result of shortages of raw materials, particularly energy products, compounded by the invasion of Ukraine in 2022.

**Table 5**

GROWTH FOR OECD COUNTRIES (PERCENTAGES)			
	GDP Growth		
	2021	2022	2023
EU countries			
Germany	2.8	1.9	-0.1
France	7.2	2.6	0.9
Italy	7	4	0.7
United Kingdom	8.5	4.2	0.3
Spain	6.1	5.5	2.5
Other countries			
United States	6.1	2.1	2.5
Japan	2.3	1.1	1.6
Total Euro Zone	5.5	3.5	0.5
Total OECD	5.9	2.3	1.2

Source: OECD-Gross domestic product Quarterly National.

<sup>12</sup> National Institute of Statistics. Quarterly National Accounts of Spain. Principal Aggregates. Fourth Quarter of 2023.

<sup>13</sup> National Institute of Statistics. Quarterly National Accounts of Spain. Principal Aggregates. Fourth Quarter of 2023.



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This generalized increase in prices was reflected in a year-on-year inflation rate of 5.8% at the end of 2022, driven mainly by the rise in fuel prices. In 2023, the inflation rate was 3.1%. This decrease compared with 2022 is mainly due to the stability of food and non-alcoholic beverages prices, compared with the rise in December of the previous year. Electricity also plays a role, with prices rising less than in December 2022. This slowdown in the inflation rate is expected to become consolidated over the coming years.



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## 6.

### Domestic market

Growth in the Spanish economy in recent times has been driven by a sharp increase in demand and a substantial expansion of production in the current context of globalization of the economy.

Today Spain has a domestic market of over 48 million people with a per capita income in 2022 of €28,162 according to data from the National Statistics Institute, with additional demand coming from the over 85 million tourists who visited the country in 2023<sup>14</sup>. This marked a 18.7% increase in tourist numbers with respect to 2022.

Table 6 reflects the growth of production and demand components in the last year. The consolidated growth rate of the Spanish economy is mainly due to the contribution of national demand.

**Table 6**

GROWTH OF PRODUCTION AND DEMAND COMPONENTS (PERCENTAGES)		
Production components	2022	2023
Agriculture and fishery	-19.80	-1.90
Industry	2.60	-1.80
Construction	3.20	2.30
Services	8.00	3.20
Demand components	2022	2023
Private consumption	2.32	2.00
Public consumption	-0.20	3.80
Gross fixed capital formation	2.40	0.80
National Demand	2.90	1.70
Exports of goods and services	15.20	2.30
Imports of goods and services	7.00	0.30

Source: National Institute of Statistics.

<sup>14</sup> Tourism Border Movements (FRONTUR) statistics. Data at December 2023. National Statistics Institute.

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## 7.

### Foreign trade and investment

Rapid growth in international trade and foreign investments has made Spain one of the most internationally-oriented countries in the world.

With regard to the trading of goods, in 2023, Spain was ranked 19<sup>th</sup> in the world as an exporter and 15<sup>th</sup> as an importer; while in the trading of services it occupies 10<sup>th</sup> place as an exporter and 20<sup>th</sup> place as an importer<sup>15</sup>.

Spanish exports and imports of goods account for 1.7% and 1.9%, respectively, of the worldwide total, while Spanish exports and imports of services represent 2.4% and 1.3% respectively.

The breakdown by industry of foreign trade is relatively diversified, as can be seen in the following table:

**Table 7**

#### DISTRIBUTION OF EXPORTS AND IMPORTS 2023 (AS A % OF TOTAL)

Exports		Imports	
Capital goods	19.50	Capital goods	22.40
Food	17.50	Chemical products	15.80
Chemical products	16.80	Energy products	15.00
Automobile industry	14.10	Food	12.50
Semi-manufactured non-chemical products	9.90	Consumer goods	10.70
Consumer goods	8.70	Automobile industry	10.70
Energy products	7.90	Semi-manufactured non-chemical products	7.10
Raw materials	2.10	Raw materials	2.80
Other goods	1.90	Durable consumer goods	2.40
Durable consumer goods	1.50	Other goods	0.60

Source: Ministry of Industry and Tourism. January – December 2023 data.

As would be expected, the countries of the EU are Spain's main trading partners. Accordingly, during 2023<sup>16</sup>, Spanish exports to the European Union accounted for 62.7% of total exports and sales to the Eurozone represented 54.5%. Imports from the European Union accounted for 49.3% of the total and those from the Eurozone represented 41.5%.

Specifically, Spain's leading trade partners are France and Germany. Outside the EU, Asia has displaced Latin America and North America from their traditional role as Spain's main non EU trading partners.

The positive adaptation of Spanish companies to the new worldwide economic scenario, reflected mainly in the progressive diversification of the markets to which Spanish products and

<sup>15</sup> WTO "World Trade Statistical Review 2023".

<sup>16</sup> Annual data published by the Spanish Ministry of Industry and Tourism. January – December 2023 data.

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services are directed should also be underscored. Indeed, Spanish exports are to some extent being redirected from the EU to the rest of the world. In this regard, Spain's share of total exports to the EU has dropped from 70.1% in 2007 to 62.7% of total exports in 2023.

As regards investment, Spain is one of the main recipients of investment worldwide.

Specifically, Spain is the 13<sup>th</sup> largest sovereign country recipient of foreign investment worldwide in terms of stock (and 5<sup>th</sup> in the EU) with USD 787,311,000. Spain is the 17<sup>th</sup> largest source of FDI in terms of stock, with a volume equal to USD 630,190,000 in 2023<sup>17</sup>.

With a view to making the Spanish economy more competitive and boosting the contribution made by foreign trade to growth and job creation, the Spanish government has adopted a series of measures aimed at enabling Spanish businesses to access the financing required for their internationalization. Noteworthy among the financial instruments approved by the Spanish government to provide official support for the internationalization of Spanish enterprise are the Foreign Investment Fund (FIEX), the Fund for Foreign Investment by Small and Medium-sized Enterprises (FONPYME), and the Enterprise Internationalization Fund (FIEM), which allocated a total of €250,000,000 in 2023 to channel the internationalization support and mentoring programs managed by the Spanish Chamber of Commerce.

In order to foster internationalization and the inflow of funds from the European Recovery Plan, the allocation to these funds has been increased annually, enabling them to offer financing of up to 5 million in the case of FONPYME, 35 million in the case of FIEX and 10 million per operation in the case of FIEM.

Likewise, the creation of the Co-investment Fund (FOCO) promotes foreign investment in economic activities that contribute to the

modernization of the Spanish productive model, such as those linked to the green and digital transition, sustainable mobility, sustainable agriculture and technological innovation, among others. This is one of the new instruments for the award of financing with European Next Generation EU funds included in the Addendum to the Recovery, Transformation and Resilience Plan, approved by the European Commission on October 2, 2023 and which has been allocated €2,000,000,000.

Also notable are the credit facilities for business owners and independent contractors offered by the Official Credit Institute (ICO) and approved for 2024: the 2024 ICO International Facility and the 2024 ICO-Exporters Facility.

The ICO has also managed funds for enterprises and independent contractors aimed at mitigating the economic impact of the war in Ukraine through the approval of the Ukraine Guarantees Facility in the form of liquidity and investment instruments available to companies and independent contractors in all production sectors, to which up to €10,000,000,000 have been allocated. In the same vein, and as part of the Recovery, Transformation and Resilience Plan, the Ministry of Industry and Tourism has allocated €100,000,000 to the Technology Fund for Trade for 2022 and 2023, the main focus of which is the incorporation of new technologies that allow SMEs to respond to new consumer habits derived from the digital transformation.

The 2017-2027 Spanish Economy Internationalization Strategy runs along the same lines. The "2021-2022 Internationalization Support Action Plan" was included in the 2017-2027 Spanish Economy Internationalization Strategy and its priority objectives centered on the following three lines of action: (i) to configure the foreign sector as a pillar of growth and employment, (ii) to achieve greater resilience in the production and export fabric, and (iii) to promote a structural change in internationalized enterprises toward digitalization and sustainable development.

By way of a summary of Spanish foreign trade, the balance of payments is set out below.

**Table 8**

SPAIN'S BALANCE OF PAYMENTS (MILLIONS OF EUROS)		
	2022	2023
<b>I. Current account</b>	<b>8,239</b>	<b>36,571</b>
Goods and services	16,314	60,089
Primary and secondary income	-8,075	-23,518
<b>II. Capital Account</b>	<b>12,507</b>	<b>14,878</b>
<b>III. Financial Account</b>	<b>26,134</b>	<b>58,865</b>
Total (excluding Bank of Spain)	-4,141	-56,334
Direct investment	-701	227
Portfolio investment	33,784	-24,122
Other investment	-39,467	-29,276
Financial derivatives	2,243	-3,163
Bank of Spain	30,276	115,199
Reserves	4,419	6,000
Claims with the Eurosystem	22,896	119,257
Other net assets	2,961	-10,057

N.B.: a positive sign in the current and capital accounts means a surplus (receipts greater than payments) and represents a net loan from Spain to the rest of the world (increase in assets or decrease in liabilities), whereas in the financial account a positive sign means a net inflow of capital and represents a net loan from the rest of the world to Spain. A negative sign in reserves means an increase.

Source: Bank of Spain. Data from January to December 2022 and 2023.

<sup>17</sup> According to the UNCTAD "World Investment Report 2024".



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## 8.

### Legislation on foreign investment and exchange control

Deregulation is the dominant feature in exchange control and foreign investment matters.

As a general rule, a foreign investor can invest freely in Spain without having to obtain any type of authorization or prior notification. The investor only needs to report the investment, once it has been made, within a maximum term of one month, to the Directorate-General for International Trade and Investments of the Secretary of State for Trade purely for administrative, statistical or economic purposes.

Exchange control and capital movements are fully deregulated in Spain, there being complete freedom of action in this field in all areas.

#### 8.1 LEGISLATION ON FOREIGN INVESTMENT

Royal Decree 664/1999 deregulated practically all transactions of this kind (with the conditions and exceptions set forth below), adapting Spanish domestic law to the rules on the freedom of movement of capital contained in Articles 56 et seq. of the Treaty of the European Union.

Last July, the Spanish Government approved Royal Decree 571/2023 of 4 July on foreign investments (the "RD on Foreign Investments"), which repeals Royal Decree 664/1999 and implements Law 19/2003 of 4 July on the legal regime of capital movements and economic transactions abroad.

The most noteworthy aspects of the regulations applicable to foreign investments are as follows:

- As a general rule, and for purely administrative, statistical or economic purposes, foreign investments must be reported afterwards to the Directorate-General for International Trade

and Investments, once the investment has been made<sup>18</sup>. The only exceptions are: (i) investments from tax havens, which in general are subject to a prior administrative notification, and (ii) foreign investments in activities directly related to national security, and real estate investments for diplomatic missions by non-EU Member States, which require prior authorization by the Spanish Council of Ministers. There is no obligation for foreign investments to be formalized in the presence of a Spanish public certifying officer (unless an express provision provides otherwise).

- The parties subject to the obligation to report investments or divestments in transferable securities are not generally the investors, but rather the investment firms, credit institutions or other resident entities engaging, as the case may be, in any of the activities specific to the first two and acting at the risk and expense of the investor, as the interposed holder of such securities. Investors must report the investment only when the securities account or deposit is held at an institution domiciled abroad, where the securities are being kept by the holder of the investment, or where they acquire a holding of 3% or more

<sup>18</sup> The contents and instructions to complete each declaration can be found at the following link:

[https://comercio.gob.es/InversionesExteriores/Declaraciones\\_Inversion/procedimientos/Paginas/declaracion-inversiones.aspx](https://comercio.gob.es/InversionesExteriores/Declaraciones_Inversion/procedimientos/Paginas/declaracion-inversiones.aspx)

The forms are obtained, completed and presented electronically using a help program called AFORIX, which can be downloaded from the electronic sub-office of the Secretary of State for Trade (at <https://sede.comercio.gob.es>, by accessing the option: Procedimientos y servicios electrónicos->Descarga de programas de ayuda->AFORIX Programa para la cumplimentación de Formularios de Inversiones Exteriores). It is necessary for the declarant to have an electronic signature in order to submit the declaration electronically. As an exception, in the event that the holder of the investment is an individual, he/she may also use, in addition to the forms obtained via AFORIX, the preprinted forms available at the General Register of the Ministry of Industry and Tourism and may choose whether to file the declaration electronically or on paper.

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in listed companies (the last case must be reported to the National Securities Market Commission).

- Foreign investments in the air transportation and radio industries, in industries relating to raw materials, minerals of strategic interest and mining rights, in the television, gaming, telecommunications and private security industries, in industries concerned with the manufacturing, marketing or distributing of arms and explosives and in national security-related activities (these latter activities are subject to the clearance rules), will be subject to the requirements imposed by the relevant bodies established by industry-specific legislation, although the general provisions may apply to them once those requirements are met.

### 8.1.1 FOREIGN INVESTMENTS - CHARACTERISTICS

FOREIGN INVESTMENTS	
<b>Investors</b> <sup>19</sup>	Non-resident individuals (that is, Spanish or foreign nationals domiciled abroad, or who have their principal place of residence abroad).
	Legal entities domiciled abroad.
	Public entities of foreign States.
<b>Regulated investments<sup>20</sup>. Reporting obligations</b>	Participation in Spanish companies, including their incorporation and subscription and acquisition of shares in joint-stock companies or in limited liability companies, and any legal transaction whereby voting rights are acquired.
	Establishment of, and increase of capital allocated to branches.
	Subscription and acquisition of marketable debt securities issued by residents (debentures, bonds, promissory notes).
	Participation in mutual funds recorded on the Registers of the Spanish National Securities Market Commission. <sup>21</sup>
	Acquisition by non-residents of real estate located in Spain, valued at more than €3,005,060, or where the investment originates from a tax haven, whatever its amount is.
<b>Parties subject to obligation</b>	Incorporation, formalization or participation in joint ventures, foundations, economic interest groupings, cooperatives and joint-property entities, with the same characteristics as in the previous paragraph.
	The investor.
	The Spanish public certifying officer who may have intervened in the transaction.
<b>Reporting rules</b>	However, investments in certain assets (securities, mutual funds, registered shares) may require that other individuals involved in the transaction report the investment (credit or financial institutions, deposit-taking or management companies of such assets, the Spanish company receiving the investment).
	As a general rule, all foreign investments subject to disclosure, and the liquidation thereof, must be reported after the event to the Investments Register of the Ministry of Industry and Tourism.
	Investments from tax havens must be reported before and after the event. However, the following cases shall be excluded from the prior declaration: <ul style="list-style-type: none"> <li>Investments in marketable debt securities issued or offered publicly, whether or not they are traded on an official secondary market, and units in mutual funds recorded on the Registers of the Spanish National Securities Market Commission.</li> <li>Where the foreign interest does not exceed 50% of the capital stock of the Spanish company in which the investment is made.</li> <li>Acquisitions of foreign investments in Spain as a result of inter vivos transfers for no consideration or mortis causa transmissions.</li> </ul> This prior disclosure obligation is not equivalent to a prior verification or authorization requirement and, once the investment has been disclosed, the investor may make its investment without having to wait for any reply from the authorities. In all cases, the declaration is valid for six months, so once notified, the investment must be made within that time period.

<sup>19</sup> A Spanish company in which foreign shareholders have a majority holding is not deemed to be an investor. A change of registered office of legal entities or a change of residence of individuals will be sufficient to change the classification of an investment as a Spanish investment abroad or a foreign investment in Spain.

<sup>20</sup> Foreign investments not included in the above list (such as equity loans) are totally deregulated, and no communication is required in relation to them. The foregoing, notwithstanding any industry-specific regulations that may apply to such investments, and the rules on exchange control, with respect to such investments.

<sup>21</sup> <http://www.cnmv.es/portal/home.aspx?lang=en>

## 8.1.2 MONITORING OF FOREIGN INVESTMENTS

The Directorate-General for International Trade and Investments (DGCI)<sup>22</sup> can generally or specifically require Spanish companies which have foreign shareholders, and Spanish branches of non-resident persons, to file an annual report with it on the status of their foreign investments. The DGCI may also require the holders of investments to provide the information necessary in each particular case.

## 8.1.3 SUSPENSION OF THE DEREGULATION RULES

The Spanish Council of Ministers can suspend the application of the deregulation rules in certain cases, which will require the investments concerned to undergo a prior procedure to obtain administrative clearance from the Council of Ministers.

At present, the Council of Ministers has only suspended the deregulation rules in respect of foreign investments in Spain in activities directly related to national security, such as the production or sale of arms, munitions, explosives and other armaments (except in the case of listed companies engaged in those activities, in which case clearance will only be required for acquisitions by non-residents that reach, exceed or fall below certain ownership thresholds, starting from 3% of the capital stock, or those acquisitions that without reaching such thresholds enable such investors to directly or indirectly form part of their managing bodies).

## 8.2 EXCHANGE CONTROL REGULATIONS

Exchange control and capital movements are fully deregulated and in all areas there is complete freedom of action.

The basic regulation on exchange control is contained in Law 19/2003 and in Royal Decree 1816/1991 on Economic Transactions Abroad, which uphold the principle of deregulation of capital movements.

### 8.2.1 THE MAIN FEATURES OF THE SPANISH EXCHANGE CONTROL PROVISIONS CURRENTLY IN FORCE CAN BE SUMMARIZED AS FOLLOWS

#### i. Freedom of action.

As a general rule, all acts, businesses, transactions and operations between residents and non-residents which involve or may involve payments abroad or receipts from abroad are completely deregulated. This includes payments or receipts (made either directly or by offset), transfers to or from abroad and changes in accounts or financial debit or credit positions abroad. It also covers the import and export of means of payment.

#### ii. Safeguard clauses and exceptional measures.

EU rules may prohibit or restrict the performance of certain transactions, and the respective collections, payments, bank transfers or changes in accounts or financial positions, in respect of third countries.

The Spanish government may also impose prohibitions or restrictions in respect of one state or of a group of states, a certain territory or an extra-territorial center, or suspend the deregulation system for certain acts, businesses, transactions or operations. However, the application of these prohibitions and limitations is only envisaged in especially serious scenarios.

#### iii. Types of bank accounts.

Non-resident individuals and legal entities can hold bank accounts on the same conditions as resident individuals and legal entities. The only requirement, on opening the bank account, is that they provide documentary evidence of the non-resident status of the account holder. Additionally, such status must be confirmed to the bank every two years. Other minor formalities are also stipulated.

In the case of bank accounts to be opened by non-resident legal entities, and without prejudice to the fact that each credit institution may request more or less information, the following is the basic information to be requested at the time the account is opened:

1. Identification document of the sole administrator or of the persons with powers of attorney to open the current account.
2. Document accrediting the nature and address of the company. For example:
  - Public deed of incorporation
  - Bylaws (in the event that they are not included in the deed of incorporation).
  - Certificate issued by the commercial register or equivalent body in the country of residence, certifying the nature and domicile. The content of this certificate must be at least the following:
    - o Date of issue (which must be less than two months old to be valid).

<sup>22</sup> [www.comercio.gob.es/](http://www.comercio.gob.es/)

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- o Company name.
- o Address.

3. Document accrediting the powers of attorney of the authorized person to operate the account (in the event that the powers of attorney do not appear in the above certificate).
4. Details of the shareholding structure of the company.
5. Document verifying the nature of the business activity. For example:
  - Annual report.
  - Annual accounts.

It is necessary to bear in mind that all documents issued outside Spain must be duly legalised and apostilled (Hague Convention), as well as duly translated into Spanish (sworn translation).

Moreover, residents may, subject to certain reporting requirements, freely open and hold bank accounts abroad either in euros or in foreign currency (when opened, they must be declared to the Bank of Spain), and foreign currency bank accounts in Spain at registered institutions (without being subject to any reporting requirement).

#### iv. Residence for exchange control purposes

For exchange control purposes, individuals are deemed to be resident in Spain if they reside habitually in Spain. Legal entities with registered offices in Spain, and the establishments and branches in Spain of individuals or legal entities resident abroad, are likewise deemed resident in Spain for exchange control purposes.

Individuals whose habitual residence is abroad, legal entities with registered offices abroad, and permanent establishments and branches abroad of Spanish resident individuals or entities are deemed non-residents for exchange control purposes.

Habitual residence is defined in accordance with tax legislation, albeit with the adaptations established by regulations (which regulations are currently pending implementation).

### 8.3 FOREIGN TRANSACTIONS DECLARATIONS WITH THE BANK OF SPAIN

For purely statistical and informative purposes the Circular 4/2012 of Bank of Spain, establishes that individuals or entities (public or private) resident in Spain, other than payment service providers registered on the official registers of the Bank of Spain, that carry out transactions with non-residents or hold assets or liabilities abroad, must report them to the Bank of Spain<sup>23</sup>.

The frequency of the notifications will depend on the volume of transactions carried out by the subjects obliged to submit them in the immediately preceding year, and on the balance of assets and liabilities of these subjects at December 31 of the previous year, as follows:

- If the amount of the transactions during the immediately preceding year, or the balance of assets and liabilities at December 31 of the preceding year, is €300,000,000 or more, the information shall be provided monthly, within the 20 days following the end of each calendar month.
- If the amount of the transactions during the immediately preceding year, or the balance of assets and liabilities at December 31 of the preceding year, is €100,000,000 or more

but less than €300,000,000, the information shall be provided quarterly, within the 20 days following the end of each calendar quarter.

- If the amount of the transactions during the immediately preceding year, or the balance of assets and liabilities at December 31 of the preceding year, is less than €100,000,000, the information shall be provided annually, within the first 20 days of January of the following year.
- When the aforementioned amounts do not exceed €1,000,000, the return will only be submitted to the Bank of Spain at the express request thereof, and in a maximum period of two months following the date of that request.

However, residents that have not reached the reporting thresholds mentioned above, but that will cross them in the current year, will be required to file the corresponding declarations within the timeframe previously established from the moment at which the limits are exceeded.

Furthermore, the RD on Foreign Investments establishes that companies resident in Spain, branches in Spain of non-residents and management companies of Spanish collective investment institutions and closed-end collective investment entities with foreign participation (hedge funds, real estate funds, venture capital funds, alternative investment funds and other similar types

<sup>23</sup> Without prejudice to the fact that the parties subject to the obligation to report to Bank of Spain detailed here are individuals and entities resident in Spain, we considered it of interest to include this section, since what gives rise to these reporting obligations are precisely transactions with nonresidents and/or assets and liabilities held abroad or which the nonresident entity holds in Spain (in other words, both the real estate held abroad by a Spanish company and the real estate held in Spain by a nonresident entity must be declared).



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of funds) must submit an annual report to the Investment Register on the evolution of the investment in the following cases:

- When branches in Spain of non-resident companies have an endowment or net worth of more than €3,000,000.
- In the case of Spanish companies that are dominant in a group of companies as defined in Article 42 of the Commercial Code and provided that the non-resident investor's stake in the share capital or in the total voting rights is equal to or greater than 10%.
- In the case of Spanish companies with a share capital or net worth of more than €3,000,000 and in which the non-resident investor's participation in their share capital or in the total voting rights is equal to or exceeds 10%.

Notwithstanding, when neither the amount of the balances nor the transactions exceed €50,000,000, the declarations can be filed on a summarized basis, only indicating the opening and closing balances of assets and liabilities held abroad, the total sum of receipts and the total sum of payments in the period reported.

### 8.4 STATEMENT OF TRANSACTIONS AND BALANCES IN TRANSFERABLE SECURITIES

Bank of Spain Circular 3/2013 establishes the obligation to submit to the Statistics Department of the Bank of Spain, on a monthly basis, statements of transactions and balances in marketable securities relating to, inter alia, transactions and balances on behalf of non-resident customers (end-investors, depository institutions, central depositories or international clearing and settlement systems).

The entities that must comply with this obligation are the following:

- Credit institutions and branches in Spain of credit institutions registered in the official registers of the Bank of Spain which act as depositories or liquidators on regulated markets for negotiable securities, and the Bank of Spain.
- Resident financial institutions registered in the official registers of the National Securities Market Commission that act as depositories or liquidators in regulated markets for negotiable securities.
- Financial institutions registered in the official registers of the National Securities Market Commission acting as investment fund management companies, in respect of shares in Spanish investment funds.

### 8.5 IMPORT AND EXPORT OF CERTAIN MEANS OF PAYMENT AND MOVEMENTS IN SPAIN

Incoming or outgoing cross-border movements of means of payment for an amount of €10,000 or more or its equivalent in foreign currency is subject to prior administrative disclosure. If the disclosure is not made, Spanish customs officials may confiscate these means of payment.

Likewise, movements in Spain of means of payment for amounts of €100,000 or more, or its equivalent in foreign currency must also be disclosed previously.

For the purposes of the above, "movement" shall be deemed to mean any change of place or position verified outside the domicile of the holder of the means of payment.

"Means of payment" shall mean paper money and coins (domestic or foreign), negotiable instruments or bearer means of payment

(those instruments which, on presentation, give their holders the right to claim a financial amount without the need to prove their identity or their entitlement to that amount. Included here are traveler's checks, checks, promissory notes or money orders, whether made out to bearer, signed but omitting the name of the payee, endorsed without restriction, made out to the order of a fictitious payee or otherwise by virtue of which title passes on delivery, and incomplete instruments), prepaid cards, commodities used as highly liquid stores of value, such as gold. Solely for the purposes of entering or leaving Spain, "payment means" shall also be deemed to be bearer negotiable instruments, including monetary instruments such as travelers checks, negotiable instruments, including checks, promissory notes and payment orders, whether in bearer form, endorsed without restriction, made out to a fictitious payee or any other form in which ownership thereof is transferred on delivery, and incomplete instruments, including checks, promissory notes and payment orders that are signed but omit the name of the payee.

### 8.6 EXCEPTIONAL MEASURES IN RESPONSE TO COVID-19 AND CURRENT SITUATION

As a result of the appearance of the so-called "coronavirus" (Covid-19) in the international arena and the extraordinary effects it has had in all aspects, the Spanish government has approved a series of measures that aim to respond to the pandemic.

Among the various measures adopted, stand out the ones adopted to control foreign investment established through successive Royal Decree-Laws, the latest being Royal Decree-Law 27/2021 of 23 November, extending certain economic measures to support the recovery, which amended the sole transitory provision of Royal Decree-Law 34/2020 of 17 November, on urgent measures to support business solvency and the energy sector, and on tax matters.

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Thus, Royal Decree-Law 27/2021 has extended until 31 December 2022 the application of the mechanism for the control of foreign direct investment in Spain. Currently, with the approval of Royal Decree-Law 20/2022 of 27 December, on measures to respond to the economic and social consequences of the war in Ukraine and to support the reconstruction of the island of La Palma and other situations of vulnerability, the moratorium has been extended until 31 December 2024 (i.e., investments made by residents of countries outside of the European Union and of the European Free Trade Association where the investor comes to hold a stake equal to or greater than 10% of the share capital of the Spanish company, or where, as a result of the corporate transaction, act or legal transaction, they effectively participate in the management or control of that company, as well as the acquisition of control over assets or branches of activity, i.e. the acquisition of all or part of a Spanish company, where 'part' means its assets or a branch of activity), if:

- The investment is made in certain sectors affecting public policy, public security and public health.
- The foreign investor is directly or indirectly controlled by the government, including the public agencies or armed forces, of a third country, has made investments or participated in activities in sectors affecting security, public policy and public health in another member state, or if an administrative or judicial proceeding has been brought against the foreign investor in another member state or in the state of origin or in a third state due for carrying on criminal or illegal activities.
- Foreign direct investment shall also be deemed to be foreign direct investment made by residents of European Union or European Free Trade Association countries whose beneficial ownership is held by residents of countries outside the European Union and the European Free Trade Association. Such beneficial ownership shall be deemed to exist when the

latter ultimately own or control, directly or indirectly, more than 25% of the capital or voting rights of the investor, or otherwise exercise control, directly or indirectly, over the investor.

Foreign direct investment in the following sectors will be subject to the monitoring mechanism:

- a. Critical infrastructure, whether physical or virtual (including energy, transport, water, health, communications, media, data processing or storage, aerospace, defence, electoral or financial infrastructure, and sensitive facilities), as well as land and real estate that are key to the use of such infrastructure, understood as those referred to in Law 8/2011, of 28 April, which establishes measures for the protection of critical infrastructure.
- b. Critical and dual-use technologies<sup>24</sup>, key technologies for industrial leadership and capacity building<sup>25</sup>, and technologies developed under programmes and projects of particular interest to Spain<sup>26</sup>, including telecommunications, artificial intelligence, robotics, semiconductors, cybersecurity, aerospace, defence, energy storage, quantum and nuclear technologies, nanotechnologies, biotechnologies, advanced materials and advanced manufacturing systems.
- c. Supply of fundamental inputs, in particular energy, understood as those regulated in Law 24/2013, of 26 December, on the Electricity Sector, and in Law 34/1998, of 7 October, on the Hydrocarbons Sector, or those referring to strategic connectivity services or raw materials, as well as food security.
- d. Sectors with access to sensitive information, in particular personal data, or with the capacity to control such information, in accordance with Organic Law 3/2018 of 5 December on the Protection of Personal Data and Guarantee of Digital Rights.

- e. Media, without prejudice to the fact that audiovisual communication services in the terms defined in Law 7/2010 of 31 March, General Law on Audiovisual Communication, shall be governed by the provisions of the aforementioned Law.

In order to carry out these investments, authorization must be obtained on the terms provided for in the applicable legislation (Law 19/2003, of July 4<sup>th</sup>, 2003).

With the entry into force of the RD on Foreign Investments, the same line of control of foreign investments in Spain continues, which were initially considered to be transitory and/or temporary.

One of the novelties incorporated by the RD on Foreign Investments is the non-consideration of certain operations as foreign investments subject to control mechanisms:

- a. Internal restructuring within a group of companies.
- b. Increases in corporate shareholdings by a shareholder who already holds more than 10% and are not accompanied by a change in control.

<sup>24</sup> This category includes items, including software and technology, which can be put to both civil and military uses, and includes items which can be used for the design, development, production or use of nuclear, chemical or biological weapons and their means of delivery, including all items which can be used both for non-explosive uses and to assist in the manufacture of nuclear weapons or other nuclear explosive devices.

<sup>25</sup> These technologies include advanced materials and nanotechnology, photonics, microelectronics and nanoelectronics, life science technologies, advanced manufacturing and processing systems, artificial intelligence, digital security and connectivity.

<sup>26</sup> They include those involving a substantial amount or percentage of funding from the budget of the European Union or Spain. Among others, those benefiting from funding under the instruments listed in the Annex "List of projects or programmes of Union interest" referred to in Article 8(3) of Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 shall be considered as such.

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It also provides that where two or more foreign investment transactions take place within a two-year period between the same buyers and sellers, they are to be treated as a single transaction on the date of the last transaction.

In this sense, the RD on Foreign Investment includes a series of exemptions in relation to strategic sectors that were not foreseen in the previous regulations. Thus, the following foreign investments will not require prior authorization:

- a. In the energy sector, regardless of the amount involved, transactions in which the investor does not meet any of the objective circumstances that determine that the investment is subject to the authorisation regime regardless of the sector, in accordance with Article 7a(3) of Law 19/2003, shall not be considered to be essential inputs, provided that the following conditions are met:
  - i. The acquired companies or assets are not engaged in regulated activities.
  - ii. That, as a result of the operation, the company does not acquire the status of dominant operator in the sectors of generation and supply of electricity, production, storage, transport and distribution of fuels or biofuels, production and supply of liquefied petroleum gases or production and supply of natural gas, in accordance with Royal Decree-Law 6/2000 of 23 June 2000, on urgent measures to intensify competition in goods and services markets.
  - iii. When the foreign investment involves the acquisition of electricity production assets, provided that the share of installed power by technology is less than 5%, in accordance with the criteria established by the Royal Decree on Foreign Investment for the purpose of calculating this share.

- iv. When the foreign investment involves the acquisition of companies engaged in the business of marketing electricity, provided that the number of customers of the acquired company is less than 20,000.
- b. Foreign direct investments in which the turnover of the acquired companies does not exceed €5,000,000 in the last accounting year closed, in the following sectors, and provided that their technologies have not been developed under programmes and projects of particular interest to Spain:
  - i. Critical and dual-use technologies, key technologies for industrial leadership and capacity building, and technologies developed under programmes and projects of particular interest to Spain.
  - ii. Key inputs.
  - iii. Sectors with access to sensitive information.

Media (without prejudice to the specific regulation on audiovisual media services). However, the following foreign direct investments, subsumed in the sectors listed above, will always be subject to authorization:

- i. Investments in electronic communications operators where any of the following conditions are met:
  - Holders of concessions for the use of the public radio domain.
  - Holders of authorisations for the use of orbit-spectrum resources within the sphere of Spanish sovereignty or
  - Have been classified as having significant market power in a relevant market in the electronic communications sector.

- ii. Investments related to research and development of mineral deposits of strategic raw materials.
- c. Investments whereby property is acquired that is not assigned to any critical infrastructure or is not indispensable and not substitutable for the provision of essential services.
- d. Transitory investments of a short duration (hours or days) where the investor does not have the ability to influence the management of the acquired company because they are underwriters and underwriters of share issues and public offerings or subscription of shares (authorisation may be required by the end-investors).

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## 9.

### Obligations in relation to anti-money laundering and counter-terrorism financing

In order to perform certain transactions in Spain, the parties thereto, before performing them, must provide specific documents relating to their identity and their business or professional activity, pursuant to the legislation applicable in relation to anti-money laundering and counter-terrorist financing (**AML/CTF**).

The main obligations applicable in Spain in relation to AML/CTF are established in Law 10/2010, of April 28, 2010, on the prevention of money laundering and of the financing of terrorism (**Law 10/2010**)<sup>27</sup> and in Royal Decree 304/2014, of May 5, approving the Regulations of Law 10/2010 (**Royal Decree 304/2014**).

Commission Delegated Regulation (EU) 2019/758 of 31 January 2019, supplementing Directive (EU) 2015/849 of the European Parliament and of the Council with regard to regulatory technical standards for the minimum action and the type of additional measures credit and financial institutions must take to mitigate money laundering and terrorist financing risk in certain third countries, entered into force on September 3, 2019.

Spanish AML/CTF legislation is the result of the transposition of EU legislation on the subject, in particular, the latest transposition being Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018, amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing and amending Directives 2009/138/EC and 2013/36/EU (the “Fifth Directive”). Current Spanish AML/CTF legislation also includes the recommendations issued by the Financial Action Task Force (**FATF**) on money laundering and terrorist financing.

The legislation enacted in relation to AML/CTF applies to the transactions carried out by the parties bound by it (**relevant persons**), such as financial institutions, notaries, lawyers or real estate developers, among others, with their customers and potential customers, regardless of whether those customers are

persons resident in Spain or nonresidents. Thus, where a party seeks to carry out in Spain procedures such as opening a current account, executing a public deed or acquiring real estate, the relevant persons must perform certain formalities to identify their customers and the origin of their funds.

In particular, the relevant persons must have procedures in place for identifying and accepting customers, and classifying them according to risk. In this regard, although each relevant person has specific AML/CTF procedures tailored to the characteristics of their activity, the information generally required pursuant to AML/CTF legislation can be summarized as follows:

- i. *Legally valid documents for formal identification purposes*<sup>28</sup>. Admissible identifying documents are the following:
  - a. Individuals.
    - Spanish nationals: national identity card.
    - Foreign national: residence permit, foreign identity card, passport or, in the case of citizens from the European Union or the European Economic Area, official letter or personal identity card issued by the authorities of origin.

<sup>27</sup> Amended by Royal Decree-Law 7/2021, of 27 April, on the transposition of European Union directives in the areas of competition, prevention of money laundering, credit institutions, telecommunications, tax measures, prevention and repair of environmental damage, posting of workers in the provision of transnational services and consumer protection and by Law No 18/2022 of 28 September on the creation and growth of companies.

<sup>28</sup> The relevant persons shall identify and verify, through legally valid documents, the identity of all the individuals or legal entities that seek to establish business relationships or carry out occasional transactions the amount of which is €1,000 or more. The identity shall be verified in all cases of transactions for sending money and managing transfers.

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Exceptionally, other personal identity documents issued by a governmental authority could be accepted, provided they have appropriate guarantees of authenticity and include a photograph of the holder.

- b. For legal entities: the public documents proving their existence and containing their corporate name, legal form, address, the identity of their directors, their bylaws and tax identification number.
- c. Authorized representatives: a copy of the legally valid document relating to the representative and to the represented person or entity, and the public document evidencing the powers conferred.

The identification documents must be in force when business relationships are established or occasional transactions are executed.

- ii. *Identification of the beneficial owner*<sup>29</sup>. The identification and verification of the identity of the beneficial owner may generally be carried out through a solemn declaration by the customer or the authorized representative of the legal entity.
- iii. *Information on the purpose and nature of the business relationship*. Such information shall be gathered in order to know the nature of the customer's professional or business activity. In this regard, in order to evidence the activity, it will suffice to provide, among others, some of these valid documents:
  - a. Salaried employees or pensioners: last pay slip, pension or subsidy, certificate of labor history or employment contract in force.

- b. Customers with liberal professions or self-employed persons: proof of payment of social security contributions, professional association membership card or receipt of membership dues.
- c. Legal entities: last corporate income tax return, financial statements, annual business report or annual external auditors' report.

- iv. *Information and, as appropriate, evidence of the origin of the funds to be contributed.*

The relevant persons shall carry out enhanced verifications of the information provided to them in those situations in which, given the nature and characteristics of the transaction and in view of the criteria established in legislation, they consider that there is, in principle, a higher risk of money laundering or terrorist financing.

<sup>29</sup> The relevant persons shall identify the beneficial owner and adopt the appropriate measures in view of the risk in order to verify its identity before establishing business relationships, executing electronic transfers for amounts over €1,000 or executing other occasional transactions for amounts above €15,000.



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## GUIDE TO BUSINESS IN SPAIN 2024

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**ICEX**

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GARRIGUES